FINANCIAL TIMES

Japan A normal country — Lionel Barber, Page 14

Mexico's pollution Fewer sticks, more carrots — Environment, Page 12

Hong Kong Keeping out corruption — Page 6

Schlumberger Oil patch innovator — Page 19

World Business Newspaper

WEDNESDAY APRIL 10 1996

Beef crisis hits sales of farming machinery in UK

Europe's beef crisis is hitting sales of tractors and other farm machinery, and dealers in Britain have called on the government for interest-free loans to maintain their cash flow. The problem appears to be confined to the UK, with demand for machinery steady in the rest of Europe despite a fall in beef sales in the wake of evidence of a possible link between mad cow disease and the human brain condition Creutzfeldt-Jakob disease. Page 16; Farm chemicals, Page 11

World debt plan in doubt: A World Bank and International Monetary Fund plan to tackle the debt problems of the world's poorest countries has run into difficulties because creditor governments are reluctant to provide as much relief as proposed. Page 16

Nissan chiefs in surprise reshuffle:

Yoshikazu Hanawa (left) is to become the next president of Japanese carmaker, Nissan, following the unexpected decision by Yoshifumi Tsuji to step down in June. The reshuffle triggered speculation about the implications for Japan's second biggest carmaker which reported losses of Y166.1bn ($1.55bn) last year, compared with Y55.9bn previously. Page 17

Microsoft, MCI Communications and Digital Equipment have formed an alliance to address the growing market for "intranet" data communications and electronic messaging services. Page 17

French doctors given ultimatum: The French government warned doctors threatening to strike later this month to "seize their last chance" to take part in health spending reforms or they will be carried out "without them". Page 3

Galeries Lafayette, the French group named after its Paris department store, reported a sharp drop in sales and a loss of FFr293m ($58.2m) after the terrorist scares and industrial unrest that affected the country last year. Page 18

Croatian shares as compensation: Croatia is to use shares in state-owned industries instead of cash to compensate 300,000 victims of the war that followed independence from the former Yugoslavia. Page 2

Dini hints at budget concern: Italy's caretaker government may have to take corrective budgetary steps to keep the 1996 budget on target, prime minister Lamberto Dini said. Page 3

Russian candidate hits at media: Russian Communist party leader Gennady Zyuganov attacked the country's media, claiming they were pandering to President Boris Yeltsin and failing to report the views of other presidential candidates. Page 2

Germany warned on sick pay cuts: Germany will suffer social strife and strike action this autumn if the government presses ahead with plans to cut sick pay, metal workers union IG Metall warned. Page 3

Kuwaitis repay $1.19bn debts: Kuwait's plan to resolve a 14-year financial scandal has been boosted by repayments of KD358.6m ($1.19bn), from individual and corporate debtors. Page 4

Belgian brewer in China deal: Interbrew of Belgium, the world's fourth largest brewer, signed a $24m agreement with the Blue Sword brewery in Sichuan, China's most populous province. Page 10

Japanese TV chief quits: The president of Japan's largest commercial broadcaster resigned after a public protest over a programme it made about Aum Shinrikyo, the cult accused of a nerve gas attack on the Tokyo subway last year. Page 6

UK pensions report delayed: Publication of a report on how UK companies should disclose the value of directors' pensions has been postponed after a meeting of its authors, government and Stock Exchange officials. Page 11

Hanoi unveils economic plan: Vietnam's ruling Communist party revealed plans for the next five years of economic reform, committing itself to rapid growth but making clear its determination to maintain the state's grip on the economy. Page 6

Iran arrests Turkish diplomats: Iran said it had arrested four Turkish diplomats and several other people for spying. An intelligence officer said the four, attachés at Turkey's consulates in Iran, led a spy ring that "conspired against ... Iran and intended to interfere in internal affairs".

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,588.22	(-6.15)
NASDAQ Composite	1,110.30	(+4.84)
Europe and Far East		
CAC40	2,081.71	(+6.75)
DAX	2,503.26	(+8.08)
FT-SE 100	3,758.6	(+3.0)
Nikkei	21,744.17	(+319.93)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.114%
Long Bond	89½
Yield	6.863%

OTHER RATES

UK: 3-mo Interbank	6⅛%	(same)
UK: 10 yr Gilt	95⅝	(96⅛)
France: 10 yr OAT	104.72	(104.8)
Germany: 10 yr Bund	96.78	(97.17)
Japan: 10 yr JGB	98.373	(99.163)

NORTH SEA OIL (Argus)

Brent 15-day	$21.41

GOLD

New York: Comex		
June	$397.1	(400.7)
London:		
close	$396.8	(393.5)

DOLLAR

New York: lunchtime		
£	1.52465	
DM	1.49205	
FFr	5.079	
SFr	1.2055	
Y	108.15	
London:		
£	1.525	(1.5307)
DM	1.4918	(1.4778)
FFr	5.0778	(5.037)
SFr	1.2058	(1.1925)
Y	108.23	(107.405)

STERLING

DM	2.276	(2.2621)
Tokyo close:	Y 107.7	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lis 16.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lv130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kč60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils650	Portugal (mainland)	Es240	Turkey	L80,000
France	FFr11.50	Lebanon	LL3,000			UAE	Dh12.00

World markets buck Wall Street falls

By Philip Coggan and Peter John in London

Worries that Easter falls in US shares and bonds would hit world financial markets were swept aside yesterday as investors returned from their holiday break in a sanguine mood.

Initial falls in European stock markets were mostly reversed and while bonds were lower, there was little sign of heavy selling. There had been worries that Friday's stronger than expected US employment data – which prompted a two-point fall in Treasury bonds on Friday and an 88-point decline in the Dow Jones Industrial Average on Monday – might have a ripple effect on world markets.

The employment news encouraged the belief that the US economy was rebounding strongly, and that there would therefore be no further cuts in US interest rates.

But the main effect of the data yesterday was on the US dollar, which moved to a two-year peak against the Japanese yen. Dealers said investment funds in Europe and the Far East had been buying the US currency in the hope that it would benefit from rising interest rates this year. By the London close, the dollar reached Y108.30 against the yen, its highest level since February 1994.

Part of the impetus for the dollar's movement was continued erosion of the D-Mark, which was affected by more evidence of weakness in the German economy. German industrial orders fell a seasonally adjusted 1 per cent in February and were down an unadjusted 2.3 per cent from a year earlier.

The weak German economic data, coupled with the news that UK manufacturing output was flat in February, limited the falls of European bond markets. By the London close, the 10-year benchmark gilt had fallen by a half-point, while German government bunds were about four-tenths of a point lower.

For equity markets, the tone was set when Japan shrugged off Wall Street's decline to record a four-year high, with the Nikkei 225 average up 1.5 per cent to 21,744.17 on signs of buying from domestic investors. In the past, Wall Street's declines have often had a knock-on effect in the Far East. "The fact that we did not have a contagion effect in

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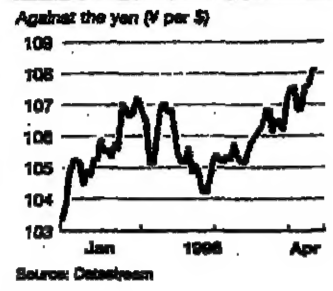
Dollar

Against the yen (Y per $)



Source: Datastream

Japan to extend military alliance with US

By William Dawkins in Tokyo

Japan is to supply the US military with spare parts and services in a significant extension of their security alliance.

The deal is set to be agreed at the summit a week today between US president Bill Clinton and Japanese prime minister Mr Ryutaro Hashimoto.

The impending co-operation accord shows how the mood in pacifist Japan has shifted in favour of strengthening defence ties with the US. It follows a post-cold war period of doubt inflamed last autumn with the rape of a schoolgirl in Okinawa by three US servicemen.

North Korea's recent instability and China's territorial ambitions have provided an uncomfortable reminder of regional tensions and caused many Japanese to set aside earlier misgivings over the desirability of US bases.

Both sides yesterday said they were close to finalising a draft agreement that would commit Japan to providing assistance – including transport, communications, food, fuel, components and clothing – for US forces taking part in joint military exercises with Japan or participating, on their own, in United Nations peacekeeping operations anywhere in the world.

The draft agreement limits such assistance to peacetime and excludes ammunition, sensitive to Japan's self-imposed ban on weapons exports.

Japan hosts 47,000 US troops, the largest contingent of the 100,000 US military personnel based in east Asia. It contributes $5.5bn a year for their upkeep, but does not provide regular assistance to US troops operating offshore.

"We are at the final stages of negotiations at the working level," said Mr Hiroshi Hashimoto of the Japanese foreign ministry.

The draft agreement proposes 16 types of assistance. The US would pay for goods in kind and services in cash. Co-operation in natural disasters, such as earthquakes, is also under discussion.

The growth of a pro-US military consensus in Japan was underlined yesterday when Mr Seiroku Kajiyama, secretary-general of the ruling Liberal Democratic party, called for a study into the possibility of co-operating with the US against security threats close to Japanese territory. Under the present pact, joint defence is limited to Japanese territory and territorial waters.

Mr Kajiyama stressed this did not suggest any change in Japan's ban on collective defence, under which Japanese troops cannot serve with other countries' forces abroad to face a common security threat.

An influential business lobby issued a report on Monday calling for the government to review the ban. The post-war constitution does not specifically rule out collective defence but does renounce the use of force in settling international disputes.

Deeper transformation, Page 14

The arrival (above) of Mr Li Peng, the Chinese prime minister, in Paris yesterday for a four-day visit was applauded by French industrialists in search of contracts and drew strong criticism from human rights organisations and some politicians, David Buchan in Paris writes.

China is reported to be interested in buying as many as 30 150-seat A320 Airbus and three larger A340 Airbus aircraft for more than $1.5bn. Another contract may go to Gaz de France to supply engineering technology for Shanghai, while an order for locomotives from GEC-Alsthom, the Franco-British company, is a possibility. When a Chinese delegation led by President Jiang Zemin visited Paris in 1994, it signed letters of intent on contracts worth FFr13bn ($2.6bn), but in the end placed only FFr900m worth of business.

Human rights organisations announced plans to demonstrate against Chinese political abuses. About 200 French deputies and senators from all parties signed a petition urging Beijing to "decolonise" Tibet. The foreign ministry said "the Chinese know our position on human rights", and maintained China was "a strategic partner". Picture: AP

UBS board to discuss CS deal

Two biggest Swiss banks consider merger

By Ian Rodger in London

Switzerland's two largest financial institutions, CS Holding, the group built around the Credit Suisse bank, and Union Bank of Switzerland, have had an "exploratory discussion" about merging.

However, CS denied yesterday that merger talks had taken place or that it was contemplating a takeover of UBS.

UBS, however, said last night its board would discuss a possible merger with CS later this week, and would make an announcement by the end of the week.

A merger of the two would create a global group with assets of SFr799.5bn ($671.8bn), a market capitalisation of SFr54.5bn and large shares in many investment banking markets in London as well as domination of most Swiss domestic retail sectors.

Together, the two would be one of the world's largest asset managers. In terms of assets, CS is the bigger of the two, while UBS is the larger by market capitalisation and profits.

In its statement, CS said that Mr Rainer Gut, its chairman, had had an "exploratory" discussion with Mr Nikolaus Senn, the UBS chairman, and the two had "explored the issue of whether it might be appropriate to discuss a merger".

The statement said the two agreed that the challenges thrown up by the globalisation of financial services and the continuing restructuring process within Switzerland's banking industry demanded far-sighted solutions.

Rumours of a merger surfaced in Zurich in recent weeks over UBS's future.

Huge blocks of UBS shares have changed hands and large volumes of options on them written. BK Vision, the investment fund that is the bank's largest shareholder, has sold most of its holding of registered shares and replaced them with bearer shares.

The registered shares have more voting power than the bearers, but cannot be voted by non-Swiss and are less easy to trade than the bearers.

One large block of the registered shares was purchased by Mr Stephan Schmidheiny, the Swiss industrialist who is also a UBS director, and others are thought to have been placed with other large Swiss institutions.

This has led to speculation that BK Vision, controlled by Mr Martin Ebner's BZ banking group, was about to abandon its long legal battle with the UBS board over the implementation of a scheme to unify the bank's share structure.

Mr Ebner has denied that he

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Catalan leader threatens fresh Spanish elections

By David White in Barcelona

Spain's centre-right Popular party, narrow victor in last month's general elections, has a long way to go before securing the support it needs to form a government, the Catalan leader, Mr Jordi Pujol, said yesterday.

Mr Pujol insisted "we do not have the basis of an agreement" and warned that there was a "real possibility" of a fresh election.

The PP, 20 seats short of a majority in Congress, has so far enlisted firm support only from a coalition of Canary Island parties, with four seats.

Both Mr Pujol's Convergència i Unió (CiU), which has 16 seats, and the Basque Nationalist Party, with five, are holding out for more concessions on regional policy.

Parliamentary leaders of both regional parties yesterday outlined their position to King Juan Carlos, during formal consultations which must be held before Mr José María Aznar, PP leader, is invited to form a government. The king is due to hold talks with leaders of the main Spanish parties over the next three days, culminating with a meeting with Mr Aznar on Friday.

Mr Pujol, who is president of Catalonia's regional government, said his party would prefer not to force the king to call another election, but added: "If it is necessary, we will go ahead."

Mr Aznar has warned that renewed elections would scupper Spain's chances of meeting the criteria for the single-currency stage of European monetary union.

Mr Pujol would not set a deadline for reaching an agreement, but said negotiations could not drag on without damaging Spain's standing in international financial markets.

He ruled out direct participation by CiU in a coalition cabinet with the PP in any event, arguing that the party would enjoy more "freedom of movement" by staying outside the government. This stance is similar to the one Mr Pujol took with the socialists after they lost their parliamentary majority in 1993.

Mr Pujol made clear he saw no alternative for Mr Aznar than to continue seeking regionalist support. He did not believe the socialists, headed by the outgoing prime minister Mr Felipe

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Government talks, Page 2

CONTENTS

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Croatian war victims to get sell-off shares

Gavin Gray reports on Zagreb's plan to use privatisation to settle compensation claims from refugees, invalids and the bereaved

Croatia is to use shares in state-owned industries instead of cash to compensate 300,000 victims of the war that followed independence from the former Yugoslavia.

The move has angered some who argue that the government is in effect giving away companies that would be difficult to sell. The war victims are refugees, displaced people, invalids and families of those who were killed.

The most profitable Croatian industries, such as brewing, have been privatised already, leaving inefficient and loss-making industries such as shipbuilding and tourist hotels in state hands.

But the new law also clears the way for the privatisation of state utilities such as the highly profitable telecommunications monopoly and the post and electricity services. Inclusion of these in the voucher scheme has not been ruled out but is unlikely to be possible – they are more likely to be sold off in the longer term.

The war victims are to be given free vouchers that can be exchanged for shares or placed in investment funds. On offer will be assets with a book value of DM3bn ($2.02bn) – just less than half the portfolio of the Croatian Privatisation Fund.

The war victims have become increasingly vocal in recent months, arguing that their needs are being ignored at a time when the country is entering its third year of economic growth, giving further benefit to those who have grown rich in the five years since the country broke away from Yugoslavia. Growth is expected to reach 5 per cent this year, after 1 per cent in 1994 and 1995.

Vouchers will also be given to those who were political prisoners under the former communist regime. This is a small, but influential group – the 4,400 people eligible include Mr Franjo Tudjman, the Croatian president, and Mr Drazen Budisa, a leading opposition figure.

The value of the voucher will depend on how long they spent in jail – DM3,000 for those who served 1-3 years, rising to DM20,000 for more than 15 years in jail.

Refugees and displaced people will be given vouchers worth the equivalent of DM7,000 if they return to their old homes. Others will receive DM5,000-DM20,000 depending on their circumstances.

Croatia's privatisation programme began in 1991 with employees allowed to buy shares in their companies at big discounts – bigger discounts for longer services – with payments over 20 years.

But few have kept up payments and it is hard to find buyers for the shares. Few people in Croatia have money to buy shares and most shares in privatised companies are trading at a fraction of their book value.

Until now, the state had not enforced collection of the instalments, but the new privatisation law, which sets up the voucher scheme, will allow the state to take shares back if payments are seriously in arrears.

Vouchers are set to be issued this summer. The Privatisation Ministry, which is being advised by Price Waterhouse, intends to begin offering shares in the autumn with the first of a series of three-round auctions.

"Within six months we can expect to complete this wave of voucher privatisation. It could be considered a pilot programme. If successful, we could expand it," says Mr Damir Ostovic, assistant minister of privatisation.

The acceleration of economic growth follows the Zagreb government's campaigns last year in the rebel Serb regions of western Slavonia and Krajina, which cleared the way for the re-opening of seaside resorts in Dalmatia, Croatia's principal tourism region and the country's main export earner in the 1980s.

This gave most refugees a chance to return to homes they fled five years before. Most are expected to try to sell the shares they will receive through the voucher scheme quickly to fund refurbishment of their homes.

Denmark sets out plans for telecoms

By Hilary Barnes in Copenhagen

The Danish government yesterday set out its proposals for liberalising the telecommunications sector in a six-point bill aimed at protecting the new and weak from strangulation by the old and strong.

The bill provides for liberalisation in two stages. From July 1, competition would be allowed for all forms of service, including wire-based voice telephony. From January 1, 1997, new entrants to the market would be allowed to lay down their own cable systems and erect their own aerials.

The legislation also opens up competition in supply of television services by ending a rule under which only two licensed television corporations can transmit television signals across local government boundaries.

This means that Tele Danmark, the part-privatised, state-controlled monopoly telecommunications company would be permitted to operate cable and satellite radio and television services, as would new entrants to the market.

Tele Danmark already faces competition in the cellular market and for foreign telephone calls. One of its main competitors will be Telia, the Swedish state telecommunications company, which has set up in Denmark with the stated aim of winning 20-30 per cent of the market. Danish State Railways have also expressed an interest in exploiting their fibre-optic cable system to compete with Tele Danmark.

The new legislation would oblige companies with a telecommunications infrastructure to give access on non-discriminatory terms to new entrants. The latter would also gain access to existing cellular networks.

The terms for access to these networks would be supervised by the state Telecommunications Agency, which would also allocate radio frequencies on a non-discriminatory basis.

Zyuganov hits at treatment by Russian media

By John Thornhill in Moscow

Mr Gennady Zyuganov, leader of Russia's Communist party, yesterday hit out at the country's media, claiming they were pandering to President Boris Yeltsin and failing to report the views of other presidential candidates.

"Before you buy a pair of shoes, you should first try them on, inspect them, take a few steps in them. But here we are, electing a president, and the government newspaper does not familiarise its readers with all the materials," Mr Zyuganov said, criticising Rossiskaya Gazeta for refusing to publish his party's pre-electoral programme.

Mr Zyuganov also cast doubt on the objectivity of Russia's opinion polls, which have shown a surge in support for Mr Yeltsin in recent weeks.

Some independent political observers agree that Mr Yeltsin has received particularly favourable treatment from the media in recent weeks. Ms Tatiana Malkina, political commentator for the Sevodnya newspaper, yesterday contrasted the extensive coverage of Mr Yeltsin's visit to Belgorod with the minimal attention paid to Mr Zyuganov's trips.

She also noted that journalists had been prevented from visiting the sites of recent fighting in Chechnya.

The main television news programmes have been dominated by coverage of Mr Yeltsin's activities. And even NTV (independent television), normally the most forthright of Russia's commercial channels, appears to have softened its coverage.

Last Sunday, NTV's flagship news programme screened a gushing interview with Mr Yeltsin's wife, Naina, in which she cooed about the president's personal virtues, which apparently include washing the dishes and cooking Siberian dumplings.

Mr Igor Malashenko, the head of NTV, was recently appointed head of the information department for Mr Yeltsin's electoral campaign.

However, rather like President Bill Clinton in the US, Mr Yeltsin has been able to take advantage of the natural political advantages that accrue from being head of state. At official meetings, Mr Yeltsin can bask in the authority of his office and set the political agenda.

How big a role the national media will play in determining the outcome of June's presidential election is hard to judge. The Communist party can call on a strong grassroots organisation of 500,000 members, who proved their effectiveness in marshalling support in parliamentary elections last December.

Mr Zyuganov has received fawning coverage in some newspapers, such as Sovyetskaya Rossiya, which has published his party's programme in full. And the Communist party leader conceded that local media had generally provided full and fair coverage of his visits.

Mr Vladimir Zhirinovsky, the inflammatory ultra-nationalist and presidential candidate, has long complained of being denied access to the airwaves. And Mr Grigory Yavlinsky, a leading presidential contender from the liberal Yabloko faction, has been all but invisible on most television news programmes.

President Boris Yeltsin kisses the hand of Iolanda, wife of Polish President Aleksander Kwasniewski (centre), who is on his first state visit to Moscow. The Polish leader assured his Russian hosts that his country's desire to join Nato was not directed against Russia. AP

Government talks test Spanish king

By Tom Burns in Madrid

Parliamentary leaders of the Basque and the Catalan nationalist parties met King Juan Carlos separately yesterday in a series of talks on creating a stable governing majority for Mr José María Aznar, leader of Spain's centre-right Popular party (PP).

It is the first time the monarchy has played more than a token role in the formation of the country's government. After every election, the king selects a candidate for prime minister, who must be endorsed by the new parliament in an investiture debate. This has previously been a formality as all the previous five general elections have produced clear-cut results.

However, the polls on March 3 left Mr Aznar's party the victor but short of an overall majority, with 156 seats in the 350-member congress.

In conceding defeat, Mr Felipe González, the outgoing Socialist prime minister, made clear that he expected Mr Aznar would be allowed to form a government. King Juan Carlos's role involves helping produce such an outcome, using the finely tuned political instincts that have marked his 20-year reign to avert a deadlock over Mr Aznar's investiture that would, in all likelihood, force new elections.

The king is bound by the rules of constitutional monarchy: he does not wield direct political power but can influence events by "warning" and "giving advice".

There is evidence that the 58-year-old monarch has been active behind the scenes already. Shortly after the polls he went to the Basque city of Bilbao to inaugurate a trade fair, and to Catalonia where he attended military exercises.

The mainstream nationalist parties in both areas are significant participants in the effort to form a government and on both trips the king ensured that there was time to meet local nationalist politicians informally.

"The visits were very significant and if their timing was a coincidence then it was a fortunate one," a Catalan nationalist member of parliament said later.

If Mr Aznar fails to obtain the backing of the nationalist parties, the combined votes of the leftwing parties in parliament would be enough to block his candidacy in the investiture debate.

The king held talks at the palace last week with representatives of the smaller parliamentary parties. It emerged that only the four members of a Canary Islands regional party would vote for the PP leader, four MPs from radical nationalist parties would vote against, and one, representing the Valencia region, was undecided.

Mr Julio Anguita, leader of the Communist-led United Left coalition, which has 21 MPs, will meet the king today and Mr González, whose party won 141 seats in the election, will be received at the palace tomorrow. Both have announced that they will vote against Mr Aznar.

The king is due to meet the PP leader on Friday, but before putting his name forward for the investiture debate he must gauge how the main nationalist parties – the Basque Nationalist PNV with five seats and the Catalan Convergència i Unió (CiU) with 16 – are likely to vote.

Neither party has announced its voting intentions in the investiture debate, as both are locked in negotiations with the PP on the price it is prepared to pay in return for backing a government headed by Mr Aznar.

Before seeing the monarch, PNV and CiU representatives said yesterday that they might not reach a decision until the very eve of the debate, which is expected to take place before the end of the month.

Sweden's finance minister cast as lion tamer

After only days in the job, Erik Asbrink must find way to put rein on spending, writes Hugh Carnegy

It would be hard to prescribe a more taxing introduction to government office than that faced by Mr Erik Asbrink, Sweden's new finance minister. Next Monday, just 24 days after his appointment, he must produce a finance bill that represents the latest round in a bruising battle to control one of Europe's most voracious public spending machines.

Sweden's Social Democratic government has achieved much since it took power in late 1994. An unprecedented series of spending cuts and tax increases – providing savings equal in value over three years to 7.5 per cent of annual gross domestic product – has narrowed the budget deficit and halted the rise in what was the industrial world's fastest growing state debt.

But the battle to restore order to the public finances in a country where public spending still accounts for more than 60 per cent of GDP is far from over. The task has been made more difficult by a marked slowdown in the economy this year which has hit state revenues and will keep high government outgoings in welfare benefits and debt dues.

An additional, self-imposed burden comes from promises of higher unemployment benefits for the 12 per cent of the workforce without a job and heavy investment in education made by Mr Göran Persson, the former finance minister, to smooth his way to election last month as SDP leader and prime minister.

As a result, there is no luxury of a "honeymoon" period for Mr Asbrink, a former senior finance ministry aide who until last month was chief executive of Vasakronan, the state property group. He must quickly take more unpopular decisions if the government is to keep to its target of bringing the budget deficit down to 3 per cent of GDP next year and eliminating it in 1998. Meeting the first target is vital if Sweden is to stand any chance of qualifying for European monetary union.

"We still need further measures to create order in the public finances. That is a necessary condition for economic growth and employment in the future," Mr Asbrink said in an interview last week.

The extent of the measures still required is hotly disputed, making Mr Asbrink's job all the more difficult. Many Social Democrats – especially the thousands dependent on the public sector for their livelihoods – are bitterly opposed to further cuts in spending.

On the other side of the fence, the financial markets upon which the state depends to finance the deficit suspect the government is underestimating the extent of the shortfall caused by the slump in growth from 3 per cent last year to, at best, around 1 per cent this year. Skandinaviska Enskilda Banken's influential economists reported to their clients recently that they estimated the government needed to come up with SKr40bn ($6bn) in new savings, on top the SKr118bn outlined to date.

Mr Asbrink says he plans new savings totalling at least SKr25bn, to be spread across Monday's spring finance bill, revised plans due in the summer on how Sweden intends to fulfil the criteria for qualifying for Emu, and September's 1997 budget proposals. About half will go to pay for Mr Persson's election promises. At the same time, Mr Asbrink has to detail how SKr10bn included in the original SKr118bn of savings will be achieved.

The government may also have to perform a politically awkward U-turn in its previous opposition to the privatisation of Telia, the state-owned telecoms operator, and Vattenfall, the country's biggest power supplier, if it is to meet its target of SKr50bn in asset sales. These are included in previous plans for controlling the state debt, which currently stands at 80 per cent of GDP.

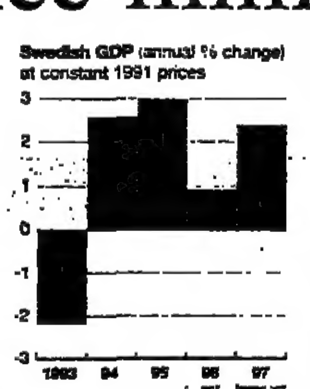
Mr Asbrink has made no secret of his reluctance to add to the country's already huge tax burden. But, although Sweden still has some of Europe's most generous welfare benefits, it is impossible for him to find all the new savings out of spending cuts without provoking a revolt in SDP ranks. The new minister confirmed that he would propose some tax increases, almost certainly higher energy taxes and increases for high earners.

The government's priceless asset in this painful process is the support of the small Centre party, a key member of the last right-centre government. The Centre's informal alliance with the SDP ensures the government a parliamentary majority, neutralises any threat of an alternative right-of-centre government and shields Mr Persson and Mr Asbrink from leftwing opponents of their fiscal medicine.

But this important political advantage cannot protect the SDP from the most ominous threat it faces. If the economy does not pick up again next year as the government foresees, the budget equation will lurch further out of balance and Mr Persson's promise to halve unemployment by the turn of the century will return to haunt him.

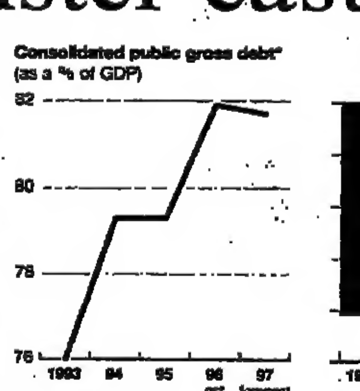
Government critics say the party should accompany its savings measures now with bold structural reforms – notably to loosen labour market rigidities – to help generate stronger growth. But neither Mr Persson nor Mr Asbrink is apparently ready for that. "The first and most important task is to eliminate the deficits in the public finances and we should stick to that," says Mr Asbrink.

Swedish GDP (annual % change) at constant 1991 prices



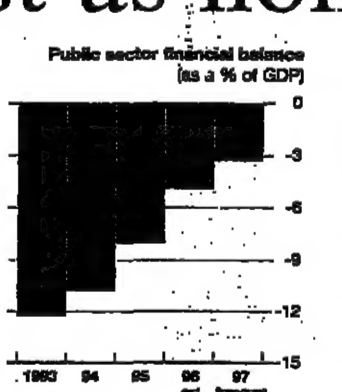
Source: NIER

Consolidated public gross debt* (as a % of GDP)



* Maastricht definition

Public sector financial balance (as a % of GDP)



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EUROPEAN NEWS DIGEST

Portugal hurt by Emu effort

Portugal's efforts to meet the convergence criteria for a single currency have taken a heavy toll on its economic growth, Union Bank of Switzerland says in a report published today. Gross domestic product per capita fell from 65 per cent of the European Union average in 1992 to 63 per cent in 1995 after climbing from 51 per cent over the previous six years, according to the study.

The economy grew more slowly than the European average from 1993 to 1995 because of monetary and exchange rate policies designed to ensure Portugal achieved the convergence targets for a single currency, says the report. As a result, inflation, the budget deficit and currency stability have reached levels usually associated with a developed European economy, not an "emerging market" like Portugal. But the "preoccupation with Maastricht convergence has borne big costs in terms of economic growth".

The report estimates gross domestic product growth at 2 per cent in 1995, the third consecutive year below the EU average. Private consumption and investment were hit hardest as falling real wages, rising unemployment and indirect tax increases undermined consumer spending power.

However, growth should reach 2.5 per cent this year, about one percentage point above the EU average, according to UBS. The finance ministry said yesterday it was expecting 1996 growth of 2.5-3 per cent. *Peter Wise, Lisbon*

Brussels queries Eni payment

The European Commission said yesterday it was seeking comments on the L1,800bn ($1.15bn) of Italian aid injected by the Eni state-owned oil and gas giant into its Enirisorse subsidiary for restructuring its lead and zinc activities. Brussels said it wanted to verify whether a private investor might have withdrawn from Enirisorse after years of huge losses and debts.

The L1,800bn includes L500bn for reducing debt, L800bn to cover losses from liquidating parts of Enirisorse and closing plants, and L500bn to cover exceptional costs such as redundancies. A substantial part of the money has already been paid.

The Commission wants to establish whether the L1,800bn corresponds to the actual costs of restructuring. "It has not been sufficiently demonstrated that the restructuring will lead the Enirisorse group to viability and profitability," it said in a statement.

EU governments and interested third parties have a month in which to file comments. *AFX, Brussels*

Austria defends secret accounts

Austria yesterday was insistent on allowing its banks to run anonymous savings accounts, in defiance of European Commission urging to tackle money laundering. The cabinet yesterday drafted its formal reply to a Brussels complaint about the accounts.

The Commission warned Austria in February to change its legislation on anonymous bank accounts or face legal action. The cabinet's letter defends the saver's right to open and hold an anonymous bank account and denies that such accounts contravene an EU directive on money laundering.

Mr Viktor Klima, finance minister, said Austria was prepared to defend its case at the European Court. Austria is the only EU member state which allows anonymous bank accounts. The Commission estimates there are about 26m such accounts containing Sch1,400bn ($140bn).

International pressure has been growing on the Vienna government to bring its banking legislation into line with western norms or risk becoming an international pariah. Washington last year ranked Austria alongside Colombia, Venezuela and Thailand in a league table of nations that tolerate money laundering. *Reuter, Vienna*

Procurement case goes to court

The European Commission has filed official charges against Austria in the European Court alleging illegal procurement practices for government buildings in a new provincial capital. It accuses Austria of violating single market rules by giving preference to local companies bidding for construction orders in St. Poelten, the new capital of Lower Austria.

Mr Mario Monti, single market commissioner, said in an interview with the weekly Profil he was particularly concerned that the illegal practices appeared to have continued into this year, even though Austria promised last year to follow Union rules strictly. *Eric Frey, Vienna*

Slovak leader balks at new law

Slovakia's President Michal Kovac yesterday refused to sign into law a government-sponsored amendment to the penal code that imposes tough penalties on those found guilty of subversion or slandering the country abroad. He asked parliament to "reconsider" the amendment, aspects of which he said were "undemocratic, [and] violations of the rights of freedom of speech, information and assembly".

The amendment bans "anti-constitutional" demonstrations and criminalises the spreading abroad of "false information harming the interests of the republic" on pain of two years in prison or a fine. It was demanded by the extreme rightwing Slovak National party, a junior government partner, in return for its support for a bilateral treaty between Slovakia and Hungary. Parliament approved the amendment hours before ratifying the treaty on March 26.

The government has a small majority in the 150-seat parliament and needs only only a simple majority to pass the amendment again, when it automatically becomes law. But opposition parties have vowed to challenge it in the constitutional court if that happens. The court, whose decisions are final, has previously ruled against the government. *Vincent Boland, Prague*

German industrial orders fall

German industrial orders fell by 1 per cent seasonally adjusted in February and by 2.3 per cent on an unadjusted basis from a year earlier, the Economics Ministry said yesterday. The year-on-year fall in west Germany was 2.8 per cent, with a rise in east Germany of 7.3 per cent.

January's industrial orders were revised upwards to remain unchanged month-on-month and down 1.9 per cent year-on-year. Preliminary figures had shown a monthly 0.4 per cent decline and an annual 2.2 per cent drop. *AFX, Bonn*

Finnish strike shuts liquor shops

Most of Finland's 250 alcohol retailers closed yesterday when staff walked out in protest at planned job cuts. The one-day strike by 1,700 workers at Alko, the state-run concern which has a retail monopoly of wine, liquor and strong beers, shut all but 15 small shops in rural areas, where workers did not join the walk-out.

Alko employs 2,200 workers nationwide, nearly half of them part-time. It has warned of possible cutbacks due to falling sales. "The recession has hit all demand and Finns are importing more and more duty-free alcohol on trips abroad," said the manager of an Alko store in Helsinki. "Obviously, the [possible] cuts are also going to hit the personnel which is our biggest expenditure item, but we don't anticipate any major redundancies." *AP, Helsinki*

European unemployment rises

The average European unemployment rate rose to 11 per cent in February, data from the European Commission yesterday showed. The figure compares with an average rate of 10.8 per cent a year ago. The highest rate was in Spain, with 22.6 per cent. It was 12.4 per cent in Italy, slightly higher than a year earlier, 11.6 per cent in France, and 9 per cent in Germany, also slightly above the previous year's level. *Gillian Tett, Economics Correspondent*

Dini warns of moves to curb deficit

By Robert Graham in Rome

Italy's caretaker government may have to take corrective budgetary measures to keep the 1996 budget on target, Mr Lamberto Dini, the prime minister, said yesterday.

The Bank of Italy and other independent economic forecast groups have been warning that the 1996 budget is already off target. But until now Mr Dini has ruled out the need for any adjustment, arguing the budget drawn up by his cabinet would be able to cut the deficit to 5.9 per cent of gross domestic product as planned.

Mr Dini told a press conference yesterday he could not rule out the need for "a correction, probably a modest one" to meet the deficit target of L109,000bn ($69.8bn).

> Among the reasons given for corrective measures, Dini cited continued high levels of interest rates

He added that any correction should best be carried out by mid-May. This would be after the April 21 general elections but almost certainly before a new government had taken office, leaving the responsibility with the caretaker administration.

Last week the treasury leaked figures suggesting some L10,000bn would have to be found in spending cuts or increased revenues. Other estimates have put the figure as high as L14,000bn.

The prime minister's change of mind on the budget comes in advance of the quarterly treasury figures on the state of Italy's public accounts. These should have been ready at the end of March but have been delayed, reportedly because of industrial relations problems. However, the figures should be ready later this week.

Among the reasons for corrective measures, the prime minister cited the continued high level of interest rates. The budget calculated the interest paid on Italian debt would fall to 8.5 per cent from 10 per cent during 1996. But when the budget was presented last September the interest rate projection was considered over-optimistic. In crude terms, for every percentage point fall in interest rates Italy can expect to save some L15,000bn over an 18-month period.

The Bank of Italy has made it clear over recent months it will not alter the discount rate until there are clear signs of the inflationary trend falling below 4 per cent. It also wants to see the results of the treasury's quarterly accounts and is unlikely to make a move until the political picture has clarified. The discount rate has remained unaltered at 9 per cent since last May in contrast to other EU economies which have lowered rates.

Apart from the continued high cost of debt service, treasury receipts are now likely to be lower as a result of the slowdown in the economy – scheduled to grow close to 2 per cent this year, almost one percentage point below original forecasts. Other burdens on the treasury include some L2,000bn needed to bail out the troubled Banco di Napoli. There have also been suggestions that the Dini government held over some expenditure items in the 1995 accounts to ensure the deficit target of L130,000bn was met.

Mr Dini also said the centre-right coalition headed by Mr Silvio Berlusconi was becoming increasingly extremist and could not be trusted in power. In particular, he said, the right-wing National Alliance should spend some time in opposition to learn about democracy.

German sick pay cuts may cause 'strife'

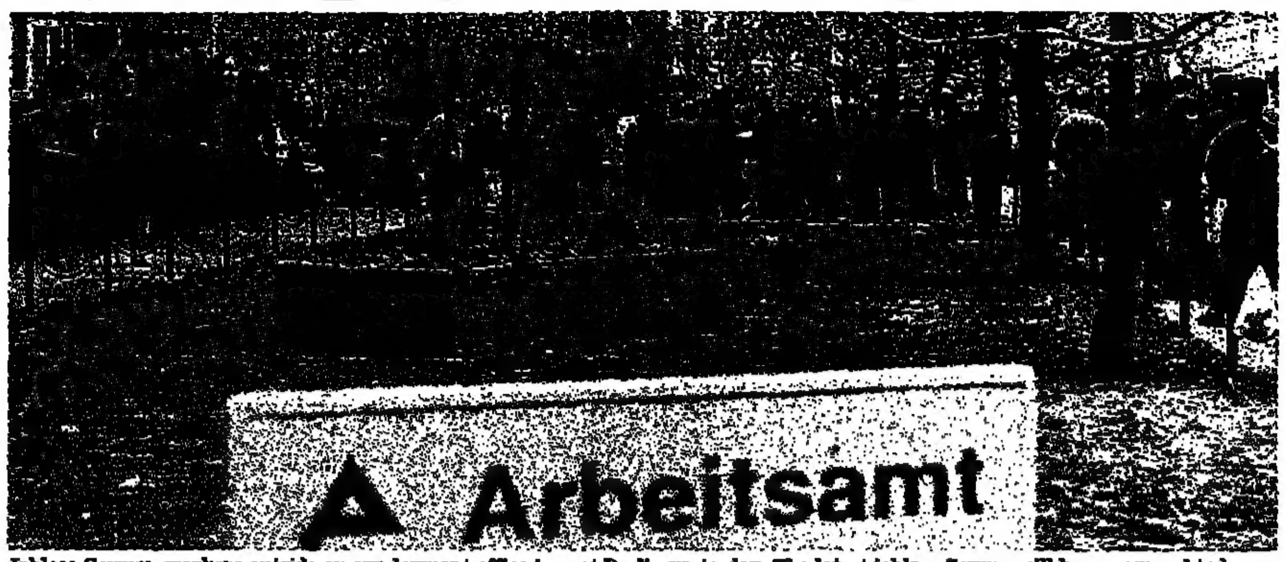
By Wolfgang Münchau in Frankfurt

Germany will suffer social strife and strike action this autumn if the government presses ahead with plans to cut sick pay, Mr Klaus Zwickel, president of IG Metall, the metal workers' union, warned yesterday.

Responding to calls for curbs in Germany's welfare system, Mr Zwickel said that "if the demands to cut sick pay do not stop, there will be social strife in a way that the republic has not experienced for some time".

He added: "We live in a welfare state and not in the times of Bismarck."

The comments from the leader of the largest industrial trade union in the world – with about 2.5m members – will put the Christian Democrat-led government of Chancellor Helmut Kohl on notice that attempts to reform the welfare state are likely to meet fierce resistance from the trade union movement.



Jobless German workers outside an employment office in east Berlin yesterday. The latest jobless figures will be announced today AP

Mr Zwickel's threat of strike action came after a weekend of discussion among politicians, trade unionists and employers about reforms in Germany's welfare provision, focusing in particular on the country's generous sick pay entitlements.

Over the weekend, Mr Norbert Blüm, labour and social affairs minister, said the government may be prepared to sanction changes to the generous sick pay rules.

Under current arrangements an employee's sick pay can exceed the normal wage because recently earned overtime is included in the calculation of sick pay entitlements.

Mr Zwickel's threat of strike action reflects a sharp deterioration in the relationship between his union and Gesamtmetall, the metal employers' federation.

The two are divided over a growing number of issues, including Mr Zwickel's proposal for an "alliance for jobs" – a proposed trade-off between wage moderation and job guarantees – which Gesamtmetall rejects as unrealistic.

As part of the alliance for jobs proposal Mr Zwickel has called for the abolition of overtime in the metal industry to induce companies to hire more workers.

He said that if employers accepted his proposal, sick pay entitlement would no longer be boosted by overtime and the problem would disappear.

Mr Zwickel's comments also underline a split in Germany's trade union movement, as other trade union leaders indicated over the weekend that they might be ready to compromise over sick pay in principle.

Employers are demanding even more radical change, calling for the introduction of a three-day threshold for sick pay, as a means of discouraging truancy.

Mr Zwickel said IG Metall had fought a hard battle in the 1956-57 wage round to secure the principle of continued wage payments for sick employees, and he would not shy away from calling a strike to retain it.

Mr Roland Issen, head of the DAG white-collar union, said yesterday continued payment of a worker's salary during incapacity due to sickness "must not be sacrificed".

Crédit Lyonnais sees union deal as landmark

By Andrew Jack in Paris

Crédit Lyonnais, the state-controlled French banking group, will today formally sign an agreement with two of its leading unions that marks an important step towards increased flexibility in working hours in the French financial sector.

Mr Pascal Lamy, a member of the bank's executive committee, said yesterday the staff at Crédit Lyonnais were "more sensitive" than those at any of its rivals to the need for labour flexibility – a reference to the financial difficulties under which the bank has been struggling.

The bank has managed to achieve substantial job reductions in the last year as a result of voluntary redundancies and early retirements as part of its obligations to reduce operating costs significantly in exchange for a restructuring package agreed with the state last year. The accord represents the first large-scale programme among the country's commercial banks to break with rules of a 1937 law which guarantees employees two consecutive days off each week.

It also comes at a time when a growing number of politicians and business executives are discussing ways to reduce working hours and increase labour flexibility in efforts to reduce the high rates of unemployment.

Crédit Lyonnais, like other banks, has experimented with opening some branches on weekday evenings and on Saturdays, but has had to close on Monday to comply with the decree.

The 1937 law allows banks to modify this requirement if it is done in agreement with the unions. For the first time, Crédit Lyonnais has brokered such an agreement, obtaining the approval of the CFTC and SNB unions which together represented 38 per cent of the vote in the last staff elections. A third, the CFDT, is believed to also be sympathetic.

Under the accord, up to 30 per cent of the bank's more than 2,000 branches will be able to operate six days a week, with some opening as early as 8am or closing as late as 7.30pm.

Staff working a four-day week will work 37 hours but will be paid for the 39-hour norm, and others will earn reductions by working anti-social hours. The bank has pledged at least to maintain the existing number of staff in branches which take part in the initiative, and said new jobs created by part-time working could number 150.

French doctors given ultimatum on reform

By David Buchan in Paris

The French government yesterday warned doctors who have threatened to strike later this month to "seize their last chance" to play their part in health spending reforms that otherwise would be carried out "without them".

The CSMF, one of France's four medical unions, has called a protest strike on April 24, the day the cabinet is due to approve the government's new medical decrees.

Mr Jacques Barrot, the social affairs ministers, yesterday warned them against "rear-guard actions which do not appear particularly useful".

The CSMF has few hospital doctors among its 15,000 members, and its strike will not therefore endanger hospital services. Other doctors' unions are not backing the strike, though one has written to government parliamentary deputies warning that they may lose the doctors' vote in the 1998 elections.

The decrees will impose spending limits on hospitals and doctors and provide for collective and individual sanctions if they are exceeded. Hospitals, which spend some FFr350bn ($69bn) a year or nearly half total medical expenditure, will have to make management contracts of 3-5 years with new regional hospital agencies.

Doctors are particularly upset by a decree reinforcing collective and individual penalties on them for breaching government guidelines on prescription of treatment and medicines. In the future, the government will only allow doctors fees to rise if the guideline, set at a 2.1 per cent rise this year, is respected. Last year health spending rose 5.5 per cent – the government target was 3 per cent.

The new decrees also set a time limit of two months on all cases involving possible sanctions against individual doctors.

These individual cases have in the past proved so time-consuming to resolve that only 27 out of France's 180,000 doctors were penalised for over-prescription last year.

The French health system is the third most costly behind those of the US and Canada.

Dr Claude Maffioli, the CSMF president, reacted to the new decrees by complaining that "we are moving to a British-style rationing of health care". Yesterday his number two at the CSMF, Mr Hubert Wannepin, described Mr Barrot's threat as empty "because the government is already carrying out its reforms without us".

Pressure to improve market data

By Robert Chote, Economics Editor

Many emerging market countries have improved the frequency and timeliness with which they release economic statistics, but plenty of scope remains for further improvement, according to an international umbrella organisation of financial institutions.

Emerging market countries have come under pressure to improve their statistics since Mexico's financial crisis in early 1995, the evolution of which was blamed in part on poor indicators of economic developments. The International Monetary Fund will unveil its own standards for economic statistics at its spring meeting this month.

The Institute of International Finance, which represents many investing institutions around the world, has pre-empted the IMF with its own statistical standards. In a report published yesterday it evaluated the performance of 28 leading emerging market economies and found standards were improving in most.

The study sets benchmarks for the frequency and timeliness with which each country releases 18 economic statistics, covering areas such as growth, inflation, the balance of payments, official reserves, debt, monetary developments and public sector finances.

"A number of leading borrowers in international markets meet a very high number of the targets for data coverage, frequency and timeliness. Several others, however, fall considerably short of the standards," the IIF said.

QUALITY OF STATISTICS

Country	Frequency	Timeliness	Country	Frequency	Timeliness
Argentina	14	10	Malaysia	12	8
Brazil	17	10	Morocco	8	1
Chile	15	12	Peru	17	15
China	6	5	Philippines	18	13
Colombia	13	10	Poland	14	12
Czech Republic	16	16	Russia	12	4
Greece	10	7	Saudi Arabia	5	1
Hong Kong	7	5	South Africa	14	12
Hungary	15	9	South Korea	16	16
India	10	9	Taiwan	12	11
Indonesia	10	9	Thailand	15	14
Israel	17	17	Tunisia	10	6
Kuwait	10	2	Turkey	17	12
Mexico	17	17	Venezuela	15	12

Number of economic indicators for which country meets IIF standard, out of maximum of 18
Source: IIF

The Czech republic, Israel, Mexico, Peru, the Philippines, South Korea and Turkey were singled out as good performers, with a dozen or so other countries performing almost as well. China, Hong Kong, Morocco, Kuwait and Saudi Arabia were among the countries which lagged behind.

Mr Charles Dallara, managing director of the IIF, said that better data helped investors to be more discriminating and minimised contagion effects in the markets.

The report showed that data coverage tended to be good in areas such as national accounts, inflation, the balance of payments, monetary accounts, exchange rates, reserves and central government budgets. But reporting of private and short-term external debt tended to be weak.

The timeliness of data production was a bigger problem, with more than half the countries failing to meet the IIF's benchmarks for the majority of data categories surveyed. The timeliness with which trade data and current account statistics were published was particularly worrying.

BBC-Saudi TV row reveals raw spot

Raymond Snoddy and David Gardner on why the plug was pulled on Arabic television

The sensitivities over satellite broadcasting in the Middle East have been highlighted by the collapse of an Arabic television service provided by a Saudi-owned company and the BBC, which has hinted that it may take the matter to a London court.

Orbit Communications, a subsidiary of the Saudi-owned Mawarid Group, apparently annoyed by what it regarded as unsympathetic treatment of Islamic issues, pulled the plug on the 10-year £100m agreement just two years since its launch.

The two sides were yesterday swapping accusations and the drama appears set to run for months.

Orbit attacked the BBC for the way it had run the eight-hours a day service to the Middle East and North Africa.

Orbit said yesterday it terminated its contract last Thursday after the transmission of a Panorama programme in Arabic on Orbit's satellite service. The programme included secretly shot film of the preparations for a double execution by beheading.

Mr Alexander Zilo, Orbit's president denounced the programme as "a sneering and racist attack on Islamic law and culture" and said Orbit had to act.

Saudi dissident Masa'ari: a touchy subject for BBC

"Clearly the BBC was not prepared to honour either the letter or the spirit of its contract. Orbit accordingly unilaterally terminated the contract as we are entitled to do," Mr Zilo said.

The BBC also terminated the contract unilaterally because of growing unhappiness with the behaviour of Orbit and "interruptions" to the service. The BBC puts the service together and sends it to Orbit in Rome where it is linked to the satellite. On a number of occasions in the past few months programmes were replaced in Rome. Technical difficulties were also experienced in transmitting some news items.

The issues involved usually were the London-based Saudi dissident Mr Mohamed al-Masa'ari and the health of King Fahd.

The BBC has been investigating the interruptions as an unacceptable interference in editorial control for some time. It is believed that the BBC also terminated the contract on April 4.

The BBC said last night it was not going to discuss the legal issues surrounding the termination of the Orbit contract while negotiations were taking place and possible legal proceedings were pending.

"The contract gives the BBC full and complete editorial control of the channel. The BBC is satisfied that it has complied fully with all the terms of its contract with Orbit Communications, including its obligations as to editorial standards, content, quality and local sensitivities," the Corporation said.

From the launch of the service in 1994, Mr Bob Phillis, deputy director general of the BBC and chairman of BBC Worldwide, the corporation's commercial arm, has made clear that if there were any editorial interference the BBC had the right to end the contract.

The issues that could now go to court range from who broke the terms of the contract and who should meet the redundancy costs of the 250 staff.

Saudi pressure on BBC Worldwide was stepped up from early 1995, requiring a conciliatory trip to the Kingdom in March last year by Mr Phillis and Mr Sam Younger, head of the World Service. During that trip, the two executives were strongly criticised, not only by Saudi officials, but by resident British businessmen who felt their Saudi contracts were under threat as a result of even limited BBC coverage of dissidents such as Mr Masa'ari.

The Saudis have developed an expensive and ramified media strategy designed to prevent circulation of critical news and views about the kingdom. At one level, this means strict control of access to Saudi Arabia by foreign reporters. But much greater effort is expended trying to bottle up Arab media outlets. King Fahd himself keeps personal control of Riyadh's huge information ministry, ranking it in importance with the defence and finance portfolios. But key members of the al-Saud royal family have, directly or indirectly, amassed control of a media empire.

The al-Mawarid group behind Orbit is owned by Prince Khaled bin Abdullah bin Abdulrahman, King Fahd's brother-in-law. Another big player in regional broadcasting, the London-based Middle East Broadcasting Centre (MBC), was set up by another brother-in-law to the king, Mr Walid al-Ibrahim, and the Dallah Albraka group headed by Mr Saleh Kamel, a protege of Prince Sultan, the defence minister and number three in the al-Saud hierarchy.

Mr Kamel, who sold his MBC stake, set up Arab Radio and Television (ART) in 1994 with Prince Alwaleed bin Talal bin Abdulaziz al-Saud, the Saudi entrepreneur with stakes in Disney Europe, Citicorp, Canary Wharf and former Italian prime minister Silvio Berlusconi's media empire. ART is an entertainment broadcaster that deliberately eschews news.

Kuwaiti debtors heed call to pay up

Kuwait's plan to resolve a financial scandal that has blighted its banks for 14 years has been boosted by larger than expected repayments from debtors owing the state hundreds of millions of dinars, Reuter reports from Kuwait City.

Individual and corporate debtors involved in the plan, which involves settling billions of dinars in non-performing loans, repaid KD358.6m ($1.19bn), or 77 per cent of their obligations, by the April 6 deadline.

The payment, the first of five annual instalments due under the so-called cash settlement option of the rescue plan, followed months of complaints by some debtors that repayment terms were too strict and would lead many to financial ruin. Some KD152m of the KD358.6m dinars was paid by 545 debtors just days before the deadline.

Hundreds more Kuwaitis owe tens of millions of dinars under a rescheduling option offered by the settlement plan. Borrowers include senior government officials and merchants, whose original obligations of about $20bn were equivalent to 90 per cent of Kuwait's GDP. The debt results from losses caused by Iraq's occupation of the country in 1990-91 and the 1982 crash of an unofficial stock exchange played by affluent Kuwaitis using bank loans.

Banks badly hit by the original crash include al-Ahli Bank, Burgan Bank and Commercial Bank.

The authorities are expected to use the repaid money to redeem low-yielding bonds held by commercial banks in lieu of the debt. This will allowing the banks to place the funds elsewhere at more commercial rates.

Mr Jassem al-Saadoun, director of the al-Shall, the economic consultants, said that despite the success of the April 6 repayment, the debt rescue plan may be buffeted by political uncertainties posed by October's elections for the country's 50-seat parliament.

INTERNATIONAL NEWS DIGEST

US sends troops to Monrovia

The US is sending security troops to Monrovia and preparing for a "sizeable evacuation" of Americans and other foreigners from Liberia's capital if ordered to do so by the State Department, Mr William Perry, defence secretary, said yesterday.

The announcement came as fighting among rival factions continued in Monrovia.

There are about 450 Americans in Liberia, including more than 200 attached to the US Embassy. Some 20,000 civilians have taken refuge in the embassy annexe and 224 foreigners in the main embassy compound, according to diplomats. Others were trapped at home elsewhere in Monrovia.

"We are pre-positioning airplanes and helicopters to be in a position to respond quickly if an evacuation is requested," Mr Perry added.

Washington has sent transport aircraft and helicopters to neighbouring Sierra Leone and a military assessment team has been sent to Monrovia to check the situation, according to US officials. *Reuter, Washington*

Rabat to upgrade fish industry

Morocco plans to invest Dh1.3bn ($151m) over four years to upgrade the country's fishing industry and infrastructure, the official MAP news agency reported yesterday.

Fish exports were estimated at Dh5bn or 15 per cent of total Moroccan agro-industrial exports in 1995, Mr Mustapha Sahel, fisheries minister, was quoted as saying.

The private sector would invest Dh1.1 bn and the state would provide the balance. The investment is needed to meet demands set out in the EU-Moroccan fishing accord ratified earlier this year. In the four-year accord, the EU is to pay Morocco $162.5m a year for fishing rights for the mainly Spanish fishing fleet. In return Morocco agreed to modernise its ports and upgrade fish landing facilities. *Reuter, Rabat*

Nigeria Airways' cash denial

A spokesman for the former management of Nigeria Airways says that the $100m allegedly missing as reported on February 23 in this column was used to pay off the airline's debts. The spokesman said that the grant was not to start a new undertaking, "Air Nigeria", but to solve the indebtedness of Nigeria Airways.

Payments, including an insurance premium of $25m, another $36m to maintenance organisations and more than $11m to other creditors, were made direct to them by the Central Bank of Nigeria, the spokesman said. "No single dollar entered the account of Nigeria Airways, nor was there any sent from the government to fund the activities of Air Nigeria," the spokesman said.

The national carrier is plagued by a debt burden, which has let to a spate of seizures of its planes abroad, but the spokesman said that while the former management was in office, total debts at the airline were reduced by just over $100m.

Algeria action on tax evasion

Algeria plans to set up a ministerial task-force to combat tax evasion, which is estimated to cost the state AD2bn ($37m) yearly in lost revenue, the official Algerian news agency APS said yesterday. The decision was announced by Mr Ahmed Ouyahia, prime minister, after a two-day meeting with ministers and officials, APS added. *Reuter, Paris*

Encouragement for private sector to build plants

Mexico revives plan for power investment

By Leslie Crawford and Daniel Dombey in Mexico City

Mexico's government is reviving a plan to attract private interest in the construction of new electric power plants, a sector which needs $11bn of investment in the next six years to keep pace with growing national demands for energy.

An earlier attempt to involve the private sector in power generation, during the administration of President Carlos Salinas, which ended in December 1994, foundered under regulatory obstacles. The new power plants were not to be guaranteed supplies of natural gas, there was no independent authority to set electricity tariffs, and independent power producers were required to sell all their energy to the Federal Electricity Commission, the state monopoly which runs the national electricity grid.

President Ernesto Zedillo's government, which succeeded that of Mr Salinas, has cleared some of these stumbling blocks so as to rekindle the interest of foreign and domestic investors. The gas sector, for example, has been partially liberalised to let independent companies build pipelines and market gas.

The energy ministry has a list of 21 power plants which must be built by 2004 to meet Mexico's projected electricity demand, which grows at 5 per cent a year. The first of these projects, a 440MW gas-fired power station in the Yucatán peninsula, known as Mérida III, is expected to be put to tender this month.

"The government is operating under severe financial constraints as a result of last year's economic crisis," says Mr Alfredo Phillips, head of the ministry's new Investment Promotion Unit. "We need to involve the private sector in electricity because the government no longer has the resources to invest in new power generating facilities."

Potential investors, however, are concerned about Mexico's heavily subsidised electricity tariffs, which would make any investment in the energy sector unprofitable without a sharp tariffs adjustment.

"If the government wishes to encourage independent power producers, it must be prepared to buy electricity at market prices, even if the Federal Electricity Commission choses to maintain subsidies to the end-user," says Bufete Industrial, one of Mexico's leading construction companies.

Mr Phillips admits the government has yet to work out pricing policies that reassure private investors. In the meantime, the commission will negotiate purchase prices with each independent power producer. There are no plans, he said, to create a free market in electricity, as private sector producers will still be required to sell all their power to the government.

A large delegation from Canada, headed by Ms Anne McLellan, energy minister, visited Mexico City last month and told Mr Phillips clearer regulations and safeguards were required before Canadian companies would commit large investments to Mexico.

Foreigners are also wary of Mexico's attempts to liberalise the energy sector after the government's about-turn last month in the privatisation of the petrochemical industry.

Drugs make for murder metropolis

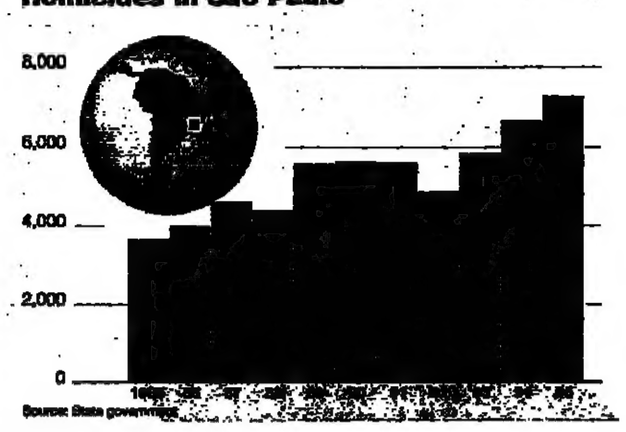
Angus Foster examines why the homicide rate in São Paulo has risen to one an hour

São Paulo, the biggest city in South America, has just gained a more chilling claim to fame: recent statistics show the murder rate passing one an hour.

Homicides have risen relentlessly in past decades, blamed on social privation, drugs and official incompetence. Most murders take place far from the business and political elites, who have rarely made the problem a priority. But the sudden acceleration since 1993 has focused attention on urban violence and highlighted one of Brazil's worst social problems.

A total of 7,358 people were murdered in São Paulo last year, an increase of 50 per cent since 1992. The number was nearly twice as high as that of Rio de Janeiro, the country's other city infamous for violence. São Paulo has the larger population – of about 16m – so its murder rate of 46 per 100,000 inhabitants is still lower than that of Rio – 67. By either measure, total or rate, both cities are among the most violent in the world.

Homicides in São Paulo



Source: State government

The recent increase in homicides in São Paulo has a range of explanations. The arrival of crack cocaine in 1990-1991 is one of the most obvious. Crack is mainly distributed by small dealers and sells for the equivalent of about $10 a "stone", enough for several hours.

Unlike expensive drugs such as refined cocaine and heroin, crack has swept through the *favelas* (shantytowns) that surround São Paulo.

Mr Guaracy Mingardi at the University of São Paulo says few of the drug-related deaths stem from fights for control of territory or distribution. Instead, most are the result of fights between people under the effect of the drug, and the result of debt collection. Addicts who do not pay their suppliers can be killed for $50, enough to buy a day's consumption of crack, according to Mr Sérgio Abdalla, police chief at Capão Redondo, São Paulo's most violent region.

The city's drug problem is different to that of Rio de Janeiro, where shoot-outs between rival drug traffickers over territory are a serious source of violence. Rio traffickers are bigger operators who control entire *favelas*, usually with the help of armed gangs. They have thus been better able to prevent the entry of crack, which they fear could undermine their businesses.

Most analysts agree that crack alone cannot explain the rise in homicides. Social problems stemming from Brazil's economic crisis in the 1980s – including unemployment, alcoholism, and overstretched social services – are commonly seen as causing a breakdown in respect for the state. The spread of firearms, used in 90 per cent of murders, and the public's loss of confidence in the police are also cited.

Shanty residents say the police are more of a hindrance than a help. Officers are often suspected of executions and drugs-related killings.

The police pass the buck to the authorities. Mr Abdalla says requests for better support are always ignored, leaving him with 30 detectives for an area of 220,000 people which last year had 256 murders.

Most analysts agree the police's failure to deal with the problem exacerbates it, by prompting vigilante justice. "People don't kill because they know they won't be caught, but because they know the state won't punish the person they think has wronged them," says Mr Jairo Fonseca, a human rights lawyer at the Brazilian lawyers' association.

Tackling the problem of rising homicides will be difficult. São Paulo state's budget, as with most Brazilian states, has no funds for police pay rises and training, which analysts say would be an incentive against corruption. The federal government says its powers are limited, and admits patrolling Brazil's huge borders against drug and gun smuggling is extremely difficult.

Despite the shortage of money, analysts say some measures could be taken to start tackling the problem. An overburdened justice system is used to sending people to prison even for such minor infractions as traffic offences. There are three times as many prisoners as jail places in São Paulo and police officers spend much time preventing breakouts from overcrowded police stations. Mr Fonseca says petty criminals should do community work rather than clog the prisons.

Restrictions on carrying guns, and stricter licensing, could also help. Anyone without a criminal record and a regular job can obtain a gun licence.

The problem with both suggestions is public confidence. The apparently inexorable homicide rise, and media attention on other violent crimes, is prompting more people to carry guns and to oppose prison amnesties. Unless the authorities and police can stop the decline in public trust, such cities as São Paulo could become caught in a vicious, violent circle.

Sector enjoys sixth year of growth

Go-karts move full speed ahead

By John Griffiths

Despite the recession which hit Detroit's Big Three car makers in the early 1990s, one North American vehicle sector has enjoyed rapid market growth for five successive years and is poised for a sixth.

The fortunate sector is, according to industry monitoring group Power Systems Research, go-karts.

US production of the tiny vehicles jumped from 68,000 in 1990 to 128,000 last year, providing US engine manufacturers Briggs and Stratton, and Tecumseh, with an increasingly valuable market. According to PSR, they "show no signs of slowing for a market 'pit-stop' any time soon".

PSR, which is based at St Paul, Minnesota, says some 18 manufacturers are now involved in producing "fun" karts, relatively unsophisticated machines intended for informal recreational use rather than circuit racing.

They make up the single largest sector of the market, with 106,000 karts produced last year, a 10 per cent rise on the level of 1994. The sector is dominated by three producers: market leader Manco Products of Fort Wayne, Indiana, which built 26,400 units last year, Carter Brothers of Brundidge, Alabama (24,800), and Ken-Bar Manufacturing of Cornelia, Georgia (22,000).

The "fun" karts sector does not amuse Japanese engine makers, however. With only 1,000 of last year's output powered by Japanese engines, from Honda, this is virtually all-American manufacturing. Engines made by Briggs and Stratton, based at Milwaukee, Wisconsin, are to be found in well over 90 per cent of karts made by the three leading players, or more than 70,000 units.

But the picture changes markedly when it comes to concession karts – those available for hire at thousands of tracks across North America. The 9,000 such karts produced last year – up 20 per cent on the 1994 level – were powered exclusively by Honda engines, according to PSR.

The remainder of US production – go-kart imports are virtually non-existent – is made up of pure-bred racing machines, many of which are capable of speeds well over 100mph. Of the 13,200 produced last year, 13,000 were made by Racing Kart Manufacturing of Harrisburg, in the heart of North Carolina's rapidly expanding motor manufacturing industry.

With more tracks continuing to open across the US, "sales should remain in high gear", says PSR, which predicts annual growth of at least 5 per cent through to the end of the century.

AMERICAN NEWS DIGEST

US wholesalers' inventories fall

Stocks of unsold goods with US wholesalers fell in February, for the first time in nearly two years, the commerce department said yesterday, signalling progress in trimming inventories. Total inventories fell 0.2 per cent to a seasonally adjusted $255.8bn, after a revised increase of 0.6 per cent in January. It was the first monthly decline in wholesale inventories since a 0.5 per cent fall in March 1994, department officials said.

The report shows that the "inventory correction" may be coming to an end. Big stocks of unsold goods that forced manufacturers to restrain production were cited as a drag on economic growth through much of last year.

Sales of all types of goods by wholesalers rose 0.8 per cent in February to a seasonally adjusted $194.4bn, after a revised decrease of 1 per cent in January, the department said.

The report is the latest suggestion of renewed strength in the US economy after weakness late in 1995 and early this year.

Reuter, Washington

Venezuela may seek banker

Venezuela is likely to seek the extradition of Mr Orlando Castro Llanes, arrested last week in Florida and one of a dozen bankers implicated in the 1994 Venezuelan banking crisis.

He has been held in Florida awaiting a decision on his possible transfer to a New York court. He faces charges, with his son and grandson, of defrauding depositors of Banco Progreso Internacional de Puerto Rico, an off-shore operation of Venezuela's Banco Progreso, of more than $55m.

But Mr Jesús Petit da Costa, attorney-general, said: "They should be tried in New York [because] there exists impunity in Venezuela." He added that an extradition request would be precautionary, in the unlikely case that the Castro family was not to be tried in the US.

Raymond Colitt, Caracas

Rifkind to visit Argentina

Mr Malcolm Rifkind, UK foreign secretary, will travel to Argentina at the weekend in the first such visit since the Falklands war of 1982. Mr Rifkind is to have lunch with Mr Guido Di Tella, Argentina's foreign minister. A British foreign office spokesman described the meeting as a social visit, where various bilateral issues could be raised. This will be the first high-level contact by the two sides since a dispute last month over fishing licences in the south Atlantic near the UK dependency of South Georgia.

Angus Foster, São Paulo

Hanoi reveals plan for economy

By Jeremy Grant in Hanoi

Vietnam's ruling Communist party yesterday revealed its plans for the next five years of economic reform ahead of a crucial congress in June, committing itself to rapid growth but making clear its determination to maintain the state's grip on the economy.

In an unprecedented glimpse into its policymaking machinery, the party central committee held a news conference at which it circulated copies of a 57-page report, to be presented at the congress in June. It was the first time any such document has been made public.

Top leadership changes are expected to emerge from the congress, which is held once every five years. Decisions on the future direction of the country's 10-year-old economic reforms are also expected.

Mr Hong Ha, secretary of the central committee, said the country was moving into a new period of industrialisation and modernisation. The report said that by 2000, per capita gross domestic product would be double the level in 1990. It is currently about $200. Average annual GDP growth would be between 9 and 10 per cent. The aim, it said, would be "to develop a multi-sector economy and apply the market mechanism to successfully build socialism".

The document had a strongly conservative political tone, however, with the party being urged "determinedly not to accept political pluralism and multi-partyism". The text was also littered with references to the threat of "peaceful evolution", a phrase used by Hanoi to imply interference by foreign democratic countries.

Foreign economists were encouraged by some emphasis given to encourage the domestic savings rate, which stands at around 17 per cent of GDP against 35 per cent in neighbouring China.

There appeared to be an even more significant recognition of the role of the private sector in the economy. Economists have said that long-term economic growth is unsustainable without a levelling of the competitive playing field on which state and private companies operate.

"They seem to have accepted that the multi-sectoral economy is here to stay. They may not want to give it (the private sector) a prominent place but they have accepted it has a place," said one foreign economist.

Stronger rhetoric was reserved for the state sector, which is seen as playing a dominant role in future economic development. Vietnam aims to push ahead with a so far stalled programme of privatisation but the document made clear that majority stakes in state enterprises should be held by the state.

The role of the state sector and what Hanoi calls "state capitalism" is likely to be the subject of heated debate at the congress, which will decide how to define the lines between the state sector and private enterprise.

In answer to a question from a Vietnamese journalist about whether it was right for party members to be capitalists as well, Mr Ha acknowledged that the issue was being "hotly debated", but indicated that it was acceptable for party members to conduct business on a modest scale.

Diplomats say there are signs that if this and other issues – such as personnel changes – cannot be resolved between reformers and conservatives at the congress, the leadership may consider delaying some decisions by holding a mid-term party congress.

● Vietnam will help speed the return of boat people in Hong Kong, it said yesterday, agreeing to reconsider an earlier refusal to take back those it had deemed non-nationals, writes Jeremy Grant.

Mr Jeremy Hanley, British foreign office minister with responsibility for Hong Kong, received the assurance from Mr Nguyen Manh Cam, Vietnamese foreign minister, during a two-day trip to Hanoi.

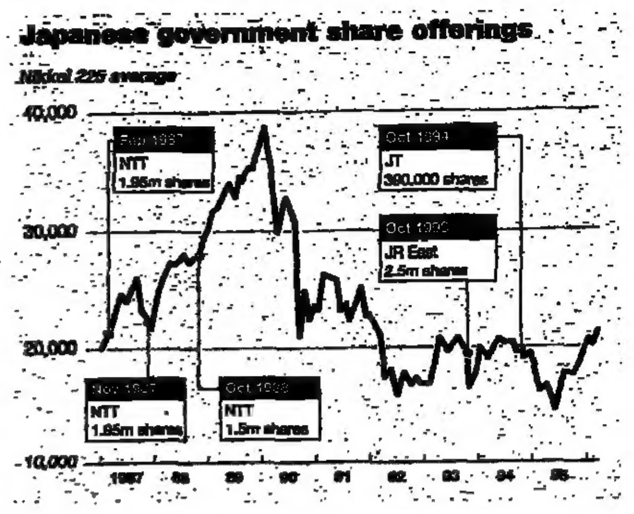
Hanoi's comments are likely to ease British concerns that the continuing refusal to accept back non-nationals, many of whom are of ethnic Chinese descent, could complicate the return of detainees before the Chinese takeover of Hong Kong in 15 months.

Japanese eager for more state sell-offs

The recent rally which has boosted the Nikkei to a four-year high has encouraged ministry officials

The Japanese business year, which started this month, has brought a revived eagerness among government officials to go through with long-delayed plans for the offering of shares in former state-owned companies.

Japanese government share offerings



The country's finance ministry has included sales of Japan Tobacco (JT) and Nippon Telegraph and Telephone (NTT) stocks in the budget for the current year; it is expected to study the prospects of an offering following the passage of the budget through the current parliamentary session.

The Tokyo stock market's sluggishness over the past few years has forced the government repeatedly to postpone plans of share offerings in JT, NTT and railway companies, formerly part of the Japan National Railways. But the recent rally, which boosted the Nikkei index to a four-year high, has encouraged ministry officials.

The offerings are crucial for the ministry when tax revenues are declining and government spending has kept rising. The finance ministry at present holds 10.4m shares, or 65.5 per cent, of NTT, which listed in 1987, and is considering selling 500,000 of its holding.

Of JT, which listed in 1994, the ministry holds 1.6m shares, or 81.1 per cent, and has indicated it wants to sell 270,000 shares as early as June if market conditions allow.

The position is at least as serious for the transport ministry, which wants to privatise the railway companies to alleviate some of JNR's debt, which stands at more than Y27,000bn ($250bn).

The ministry is looking to list West Japan Railway, the second largest railway, by the autumn on the Tokyo and Osaka stock exchanges and is hoping to raise about Y800bn. East Japan Railway (JR East), the largest of the former JNR companies, was listed in 1993.

The former JNR was broken up into seven regional railway companies in 1987 with Y25,500bn in debt transferred to an entity called JNR Settlement Corporation.

The offerings are crucial for the ministry when tax revenues are declining, writes Emiko Terazono

The government had intended to use proceeds from the listing of the biggest three companies and land sales formerly owned by JNR to repay the debt, but missed the opportunity due to the plunge in stock and property prices.

The debt has accumulated interest over the years and the government is expected to have to resort to taxpayers' money to relieve JNR Settlement of the total amount.

The government's plans to tap the equity market have raised concerns among some investors of over-supply later in the year. The offering of JR East shares in October 1993 triggered a sharp decline in Japanese shares, as did the listing of Japan Tobacco in 1994 – it flopped badly, with 40 per cent of the initial offering unsold.

The transport ministry was forced to postpone its listing of JR West due to the stock market turmoil caused by the JT listing.

"The implication for the stock market is serious indigestion," says Mr Jesper Koll, economist at J P Morgan in Tokyo. The government's share offerings could coincide with moves by Japanese banks to raise some Y3,000bn in the equity market to cover for the losses stemming from bad loan write-offs.

Together with the government share offerings, Mr Koll expects investors to see around Y4,000bn-Y9,000bn, or 1-2.4 per cent of total equity market capitalisation, in new equity in the current business year. In 1989, the peak of the stock market "bubble", share offerings totalled Y7,600bn, or only 1.3 per cent of market capitalisation.

Tokyo TV chief resigns over film shown to cult

By Gerard Baker in Tokyo

The president of Japan's largest commercial broadcaster resigned yesterday after a storm of public protest over an unbroadcast television programme it made about Aum Shinrikyo, the cult accused of a nerve gas attack on the Tokyo subway last year.

Mr Hirozo Isozaki, president of Tokyo Broadcasting System (TBS), said he was stepping down to accept responsibility for the company's decision to show an interview with a lawyer investigating Aum to leading members of the pseudo-religious sect, several years before the subway attack.

Mr Isozaki is to be replaced by fellow board director, Mr Yukio Sunahara, in an effort to stem the public outrage over the incident and clean up the company's badly damaged resignation.

In the interview, conducted in 1989, the lawyer, Mr Tsutsumi Sakamoto, accused Aum's leaders of a range of crimes against cult members. When the sect's leaders demanded to see the interview before it was broadcast, TBS obliged.

A few days later Mr Sakamoto, his wife and one-year-old son disappeared. Their bodies were discovered five years later, a few months after the subway attack. Aum members have now been charged with their murders.

The company's behaviour has incensed the public and provoked calls for severe punishment. TBS runs the largest commercial network in the country, broadcasting across Japan, and has lucrative international and domestic cable subsidiaries.

This week officials at the post and telecommunications ministry, responsible for regulating broadcasters, said they would consider taking action against the company. TBS's share price has fallen in recent weeks, but recovered some ground yesterday on the news of Mr Isozaki's resignation.

TBS made no attempt to broadcast the programme, or to inform the authorities of its existence after Mr Sakamoto's disappearance, nor even after the subway attack last year. Its existence came to light only when one of the sect members accused of carrying out the attack told prosecutors about it.

Initially TBS denied it had ever given the Aum members a private viewing. But last week Mr Isozaki was forced to acknowledge that the company's producers might have done so.

Mr Isozaki denied, however, that TBS's decision had led to the disappearance and murder of Mr Sakamoto and his family, saying it was only one of a number of factors that might have caused the murders.

Stepping down: Isozaki of the Tokyo Broadcasting System Reuter

Pension row in Australia

By Nikki Tait in Sydney

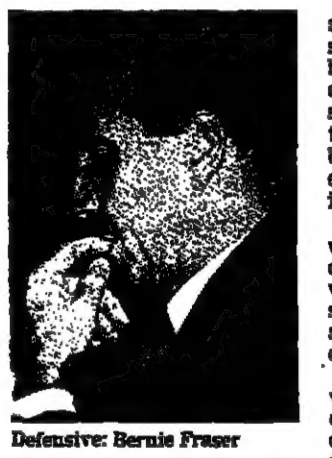
Mr Bernie Fraser, governor of Australia's Reserve Bank, was yesterday forced to defend the central bank against parliamentary allegations that the trustees of its own pension fund might have made investment decisions based on prior knowledge of monetary policy.

The bank, he said, "resented and rejected" any suggestion of insider trading.

The charges were raised last year by Mr Andrew Thomson, an opposition backbencher at the time and now a junior member of the new coalition government.

Mr Thomson questioned the propriety of having senior bank officials serve as trustees to the fund and suggested they might have used their knowledge of central bank monetary policy incorrectly. He cited the fund's significant out-performance in 1993-94 as support for these allegations.

As result, the Senate Select Committee on Superannuation is looking into the matter. The row led to the fund's fixed interest portfolio being handed over to the AMP and Bankers Trust, external fund managers.



Defensive: Bernie Fraser

"This will result in additional costs of around A$200,000 (US$156,000) a year, most of which will be borne ultimately by taxpayers," Mr Fraser told the committee yesterday.

He said the fund had sold down its bond portfolio in mid- to late-1993, on the view that chances of further gains on bond prices were limited. The first upward move in interest rates occurred in August 1994.

"The key point to note so far as Mr Thomson's allegations are concerned is that these sales occurred a year or so before the bank tightened monetary policy," he said. "It should, therefore, be obvious that trustees could not have been motivated by fore-knowledge of an impending tightening of monetary policy".

Mr Fraser added that there was "not an ounce" of evidence of either insider trading or wrongdoing and said he was surprised the committee should still be "raking over the coals" of events in 1993-94.

The Reserve Bank was at various times a target for criticism by the Liberal-National coalition when it was in opposition; though most of the complaints centred on the question of its independence from the then Labor government. Mr Fraser defended the bank on this score, and many economists agree it has been relatively objective in its recent decision-making.

Mr Fraser, who has had a long career as a public servant and at one stage served under a previous coalition government, recently confirmed he will not be seeking reappointment when his seven-year term expires in September.

Hong Kong holds line against corruption

But fraud fighters face tests after 1997 handover

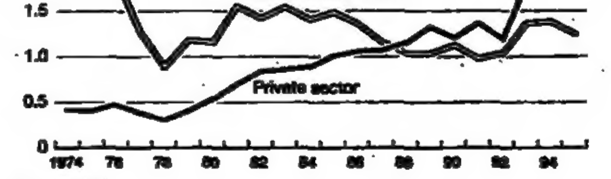
There are two lines on the chart traced by Mr Tony Kwok, head of operations at Hong Kong's Independent Commission Against Corruption (ICAC). One records reports of graft in the private sector, the other in public administration.

How these trends evolve through Hong Kong's return to China next year is one of the main concerns of the business community and the public. Recent surveys have pointed to fears that graft, like sovereignty, will cross the border after 1997.

Mr Kwok, who joined the commission in the 1970s when it was launched and took up his new post last month, is confident the problem will be held in check.

But the firm grip required to maintain clean government and fair competition in business will provide a test of the autonomy of the territory's institutions, the morale of the ICAC and the public's willingness to speak out against abuses. Mr Kwok's charts suggest the line is being held.

Number of Hong Kong corruption reports ('000s)



Source: ICAC

An alarming rise in corruption between 1992 and 1995 appears to have been halted partly through tough action by the authorities. Intelligence reports back Mr Kwok's claim that the trends reveal a fall in corruption, rather than just in the number of complaints.

This view is also supported by independent observers. A report published last week by the Political and Economic Risk Consultancy said that "as yet, fears [of increased corruption] have not been realised". It placed the territory behind only Singapore and Japan in its rankings of Asia's cleanest business environments.

The sharp increase in corruption in 1993 and 1994 appears to have been related to the handover. "Political uncertainty, in this case amplified by the transfer of sovereignty, increases the temptation to make money while you can," says a criminologist at one Hong Kong university. Mr Kwok refers to it as the "quick buck syndrome" and says professionals such as lawyers and doctors have fallen to temptation too.

An additional consideration for Hong Kong's fraud squad has been the increase in cross-border trade. As trade has grown, so have opportunities for corruption at customs and immigration posts. Mr Kwok cites the example of car smuggling, including a case where five stolen Mercedes were found inside a single container.

In response, authorities on either side of the border have stepped up co-operation. Since exchanges started in 1988, the ICAC has conducted 60 visits to China to interview a total of 120 witnesses in corruption cases. There has been a similar flow in the opposite direction.

"Where we co-operate with the Chinese authorities we get the impression they are very serious," says Mr Kwok. Across the border in Guangdong Province, Mr Lu Riuhua, the new governor, has pledged to step up the crackdown.

Many in Hong Kong, however, worry about whether the crackdown on their side of the border can be sustained. "I don't see a rapid deterioration, but I do see corruption increasing," says one sales manager. "There is the risk that the business culture will become more contact-driven and less transparent and this will create problems."

Others fear the ICAC will find it difficult to pursue cases involving Chinese officials after the handover and that its independent status could come under pressure. The Political and Economic Risk Consultancy argues that the biggest challenge will be in regulating mainland-owned companies operating in the territory.

It also warns of the corrupting effects that could result if China seeks to curb the pay of Hong Kong civil servants in an attempt to narrow the gap with their mainland counterparts.

Mr Kwok is not swayed by such fears. He notes that the ICAC's independence is upheld by the Basic Law, China's constitution for the Special Administrative Region, as Hong Kong will be known after the handover. Morale is high, he claims, with falling ICAC staff turnover, which declined to 5.7 per cent last year, below the civil service rate.

Public support for the ICAC remains strong, opinion polls show. To ensure the public continues to report graft and testify in court, the commission's extensive propaganda effort is being stepped up.

In addition to the existing TV commercials, the ICAC is leading community leafleting drives and plans a drama series on national television in the coming months. Mr Antonio Chu, assistant director of community relations, says the commission is even weighing an extension of its education effort to the kindergarten.

Such moves show how seriously the ICAC is viewing the handover. "We have a big role to play in a successful transition," says Mr Kwok. In time the lines on his charts will tell how well that role is played.

John Ridding

ASIA-PACIFIC NEWS DIGEST

Lehman settles with Sinochem

Lehman Brothers announced yesterday it had settled with a subsidiary of China's giant Sinochem oil trading corporation in a legal dispute over losses incurred by the Chinese company, but two further cases involving the US investment bank and Chinese entities are pending. Sinochem (USA) had sued Lehman in January for $20m over trading losses alleging Lehman had induced one of its employees into transactions worth $300m that were "highly inappropriate, complex, leveraged and speculative."

A Lehman executive in January dismissed the action, saying it was a "cynical attempt to avoid paying Lehman what we are owed". Yesterday Lehman said its legal contest with two other Chinese corporations involving trading losses of $97m would continue. China Minmetals International Non-Ferrous Metals Trading Co and China International United Petroleum Chemicals Co have countersued for $186m.

Sinochem, China's largest trading corporation, announced in January it was tightening controls over the speculative activities of its overseas subsidiaries. *Tony Walker, Beijing*

Thai SEC to expose offenders

Thailand's Securities and Exchange Commission plans to publicise the names of individuals and companies it fines or reprimands, Mr Pakorn Malakul na Auudhya, the commission's new chief, told The Nation newspaper. Presently the SEC keeps the names of those violating stock market rules a secret, fearing that undue publicity about stock market antics would undermine market confidence.

But Mr Pakorn said that the levels of transparency sought by foreign and domestic investors outweighed these considerations. "Pakorn is trying to find a balance," said one foreign broker. "There is probably less manipulation here than other places in the region and if you publicise violations then maybe people will realise that there isn't as much manipulation as they think." *Ted Bardacke, Bangkok*

Japanese budget block

Japan's coalition and opposition parties failed again yesterday to reach agreement on how to proceed with the government's controversial plan to spend Y685bn ($6.3bn) to help bailout of the country's bankrupt housing loan companies. For more than a month opposition leaders have stalled a parliamentary debate on the national budget for the fiscal year that began this month, including the special spending provision.

Coalition leaders had proposed an informal freeze on the allocation of the public funds pending agreement on a number of other financial bills. But representatives of the New Frontier party, the largest opposition party, said the proposal did not represent any real change in the government's stance. The NFP wants the planned spending deleted from the budget altogether.

Last month both sides agreed an interim budget for the first 50 days of the new fiscal year, to May 20, in the absence of a broader settlement. *Gerard Baker, Tokyo*

Machinery orders rise

Japanese companies spent 1 per cent more on buying machinery in February than they did the previous month, supplying further evidence of the emerging economic recovery. The growth in machinery orders reported by the government's Economic Planning Agency surprised Tokyo economists, who were on average forecasting a 3.6 per cent month on month decline.

By comparison with the same month last year, February orders rose 16.9 per cent, the fifth consecutive month of increase and the strongest performance since October 1994. Machinery orders are widely followed as an advance indicator – six to nine months ahead – of corporate capital spending in general.

The EPA predicts that machinery orders overall will decline by 5.4 per cent in the first quarter of this year, after poor figures in January and March. *William Dawkins, Tokyo*

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WORLD TRADE NEWS DIGEST

China deal for Belgian brewer

Interbrew of Belgium, the world's fourth largest brewer, yesterday signed a $24m agreement with the Blue Sword brewery in Sichuan, China's most populous province.

Mr Paul De Keersmaeker, chairman of Interbrew, said the investment was part of the company's search for "growth areas". Interbrew plans to upgrade the Blue Sword factory over the next two years to more than double capacity to 350,000 tons from the present 150,000 tons.

Blue Sword ranks 13th in output among Chinese brewers, but Interbrew sees good potential to lift its ranking in a province with a population of more than 100m.

The Sichuan venture will give Interbrew, whose best known brand is Stella Artois, two joint ventures in China. The company says it is also looking at other possibilities, possibly in the north. Its existing venture, known as Zhujiang, is in Guangzhou, capital of southern Guangdong province next to Hong Kong.

The Interbrew deal is a further example of international brewers trawling for suitable partners in the world's fastest growing beer market. *Tony Walker, Beijing*

Chinese CD piracy rises

Chinese compact disc factories are producing more pirated CDs now than before China signed an agreement last year to stamp out piracy, representatives of US CD manufacturers said yesterday.

The 1995 agreement averted a trade war with the US but Washington is threatening bigger sanctions because China has not stopped its production and the export of millions of illegally copied CDs.

China is by far the world's biggest CD pirate and the only country exporting pirated CDs worldwide, according to the International Intellectual Property Alliance.

Ms Charlene Barshefsky, assistant US trade representative, is negotiating this week in Beijing. The industry representatives also met Chinese officials to reinforce the US position.

The International Intellectual Property Alliance, a Washington-based consortium of businesses in films, music, computer software and publishing, estimates China produces 100m pirated CDs annually, while it has a domestic market for only 5m-7m. *AP, Beijing*

■ General Instrument of the US, is to set up a joint venture with HCL Corporation of India, a fast growing information technology conglomerate. The 50:50 joint venture will supply equipment for cable TV and telecommunications in India and other south Asian countries. General Instrument plans to invest $60m over the next three years in India, lifting its sales to $250m in the third year. *R C Murthy, Bombay*

■ United Microelectronics of Taiwan has signed a cross-licence agreement with International Business Machines of the US in exchange for semiconductor and related technology. UMC has more than 1,000 patents at home and abroad. *AFX Asia, Taipei*

■ Mitsui of Japan has signed a memorandum of understanding to build a power plant and urea fertiliser plant in Burma.

The memorandum was signed between Mitsui, the ministry of energy's planning department, Unocal of the US and Total of France. The two plants would use natural gas as fuel. *Reuter, Rangoon*

'New page of co-operation' enables Moscow to break into lucrative market

Russia launches US-built satellite

By John Thornhill in Moscow

Russia's beleaguered space industry yesterday received an encouraging boost when it successfully launched a US-built satellite on a Proton rocket.

Russia has been keen to break into the lucrative market for commercial satellite launches for several years, but has been hampered by technical difficulties with its military conversion programme.

The launch is likely to be the first of 20 planned before the end of the decade under an agreement between Russia's Khrunichev Space Centre and US joint venture partners.

"This is a new page in co-operation between the United States and Russia in the commercial use of the Proton booster on the international market. These launches are worth about $1bn," a Russian space centre official said.

The Proton rocket carried an Astra-1F communications satellite, built by the Hughes of the US, a subsidiary of General Motors.

About 45 specialists from Hughes had assisted the launch team at the Baikonur cosmodrome in the former Soviet republic of Kazakhstan.

Following the break-up of the Soviet Union in 1991, Russia retained a strategic interest in the Baikonur cosmodrome, which was the main centre for the development of the Soviet space industry.

The centre has been particularly keen to break into the commercial satellite launch market following sharp cuts in funding from Moscow.

The Luxembourg-based Société Européenne des Satellites (SES) ordered the satellite launch to extend its communications network. SES has already launched five similar satellites using French Ariane-4s.

The Astra satellite could be received by 150m users in Europe and would remain in orbit for 15 years, space officials said. A SES official said the satellite carried 22 powerful transmitters which would allow it to broadcast TV and radio signals across Europe.

Its solar panels generate 4,700 watts, making it one of the most powerful in space.

The development of co-operative ventures in the space industry has been one of the chief ambitions of the US-Russian Gore-Chernomyrdin commission. Mr Al Gore, US vice president, and Mr Victor Chernomyrdin, Russian prime minister, have been exploring ways the two countries can co-operate across a range of technical fields.

Last year, the Khrunichev Space Centre signed a $190m deal with Boeing, the US aerospace group, to develop and launch the first module of the Alpha international space station.

Qatar contracts for gas project

The Gulf Arab state of Qatar yesterday awarded $1bn worth of contracts to foreign engineering companies to exploit the country's enormous gas reserves. Reuter reports from Doha.

The contracts to build platforms and pipelines to bring gas from the North Field - the largest single offshore gas field in the world - to an onshore liquefaction plant were handed to two consortia of Japanese, European and US companies.

Ras Laffan LNG, a 70-30 venture between state-owned Qatar General Petroleum (QGPC) and Mobil of the US which awarded the contracts, is the second of three multi-billion dollar liquefied natural gas (LNG) developments planned in the state.

Exports of LNG to Japan from the Qatargas project are scheduled to begin in 1997 while a third project is expected to supply Israel, Jordan and India in the next decade.

A consortium led by Japan's Chiyoda, which includes the Dubai-based McDermott-ETPM East, secured $600m of work to build platforms and gas handling facilities.

Italy's Saipem together with Snamprogetti were awarded a $400m contract to build subsea pipelines to carry the gas the 85km from the field to an onshore liquefaction plant.

Ras Laffan LNG, which aims eventually to supply 10m tonnes a year of LNG to Asian power markets, awarded the contract to build the liquefaction plant last month to a consortium headed by Japan's JGC.

Qatar's three LNG projects are expected to dwarf the earnings from the country's typical oil production of around 450,000 barrels per day.

The selection of the offshore contractor marked the finale of the tendering process for the currently estimated $5bn Rasgas first phase project, said a QGPC official. "Now, we are almost all set to commence the civil works on various stages of the project," the official added.

Developer urges Thais to stand by transit contract

By Ted Bardacke in Bangkok

Mr Gordon Wu, managing director of Hong Kong's Hopewell Holdings, yesterday asked the Thai government not to cancel his company's $3.2bn mass transit project in Bangkok. He said he had arranged financing for the project, but government delays in approving the project's design were preventing the financial deal being finalised.

Next week the Thai cabinet will consider a proposal from the Ministry of Transport and Communications to terminate Hopewell's contract and award the project to a different set of investors. Analysts have speculated this new group might be put together by Bangkok Bank, which last week rejected Mr Wu's offer to take a 10 per cent interest in the project. The bank said it would only consider a controlling stake.

The proposed cancellation of the Hopewell contract is based on the ministry's belief the company could not complete the first phase of the project in time for the 1998 Asian Games in Bangkok. Mr Wu said yesterday construction could not be accelerated until government approvals necessary to secure financing were received.

Four design points remain at issue, including the sensitive question of what the project – which includes a tollway, an elevated light rail system, raising the existing heavy rail system above street level and associated retail developments – will look like as it passes by Chitlada Palace, residence of Thai King Bhumibol.

Mr Wu said: "Without the approvals how can we go to work? What we need is strong government commitment. We cannot work under circumstances where anybody can come out and say: 'We want to terminate your contract'."

Recent conflicts between government agencies about terminal design in a separate mass transit project being built by Tanayong, the Thai property developer, have delayed closure of a loan package worth $972m.

Mr Wu said Sumitomo Bank of Japan had formed a consortium to provide Hopewell with the financing it needs if problems with government approval are overcome.

Hopewell's sub-contractors, which include Thai Bauer and Philipp Holzmann, also said they were fully committed to the project and could speed up construction as necessary.

Sweet smell of success for Greek investors

By Kerin Hope in Athens

A crowd of customers and a smell of baking fill the largest cake-shop in the Stela chain, the first Greek investment to take off in Macedonia, and one defiantly launched during Greece's trade blockade against the former Yugoslav republic.

Mr Pavlos Lesses moved from Thessaloniki to Skopje 14 months ago to set up the company, getting around the embargo by importing ingredients from Greece via Bulgaria.

He expects to recoup his DM1.2m ($800,000) investment by the end of 1996, when the chain should have 20 outlets in three Macedonian cities.

Brushing sugar off his hands after a shift with the pastry-cooks, Mr Lesses says he decided to invest in Macedonia after surveying the southern Balkans: "There are fewer operating difficulties compared with Albania and Bulgaria, where the banking system is weak and extortion threats create problems for retailers."

Macedonia has imposed a 37 per cent tariff on bakers' and confectioners' ingredients, which Mr Lesses imports from Greece to maintain quality. However, lower rent and labour costs mean a slice of cake sells for the same price as in his shop near Thessaloniki.

Encouraged by a brighter political climate and a recovery in bilateral trade since the blockade was lifted last September, larger Greek companies are now considering investments in Macedonia.

The most promising opportunities, Greek businessmen say, are joint ventures with newly privatised companies in sectors in which western European investors have shown little interest, such as tobacco and food processing and mining.

Despite Macedonia's progress

> Encouraged by a brighter political climate larger Greek companies are considering investments in Macedonia

with market reforms, the privatisation process is sometimes unpredictable.

Mytilinaios, a leading Greek metals trading company which bought from Macedonia's state-owned mines before the Yugoslav federation's collapse, moved quickly to revive its ties with Zletovo-Sasa Mines, a lead and zinc producer, when the Greek blockade was lifted.

Mytilinaios agreed to sell 40,000 tonnes of Macedonian lead and zinc concentrate on international markets this year.

However, consignments are being delayed by labour unrest at the mines, where workers are demanding pay rises and a larger share in a planned management buy-out.

Mr Tito Treneski, manager of Zletovo-Sasa's trading arm, is reluctant to put his signature on a contract with Mytilinaios "because I'm worried that we'll let our Greek partners down by not being able to supply the quantities agreed".

However, Skopje Brewery, a profitable beer and soft drinks producer which was sold to its managers last year, has agreed to set up a joint venture with Athenian Breweries and Hellenic Bottling, the largest Greek producers of beer and soft drinks respectively.

Athenian, the Heineken affiliate in Greece, and Hellenic, which holds the Coca-Cola franchise for Greece, will share an 82 per cent stake in a joint venture with Skopje Brewery. They hope to repeat the success of a similar joint venture with a leading Bulgarian brewery, Zagorka, which has modernised production of local beer brands and is preparing to produce international brands in Bulgaria.

Small energy players ready to leap ex-Soviet republic hurdles

Matthew Kaminski finds pioneer investors ready to take on challenge

Mr William Cox took only nine months to get his Oklahoma oil company up and running in Moldova, the small Romanian-speaking nation neighbouring Ukraine.

"This is a simple American equity investment, a traditional international oil and gas deal," said Mr Cox, president of Redeco Moldova, which won the country's only national exploration concession in 1995.

Redeco, a small company founded only three years ago and active in Saudi Arabia and Latin America, took the opportunity given by the eager former Soviet republic to make a pioneering investment in the energy sector.

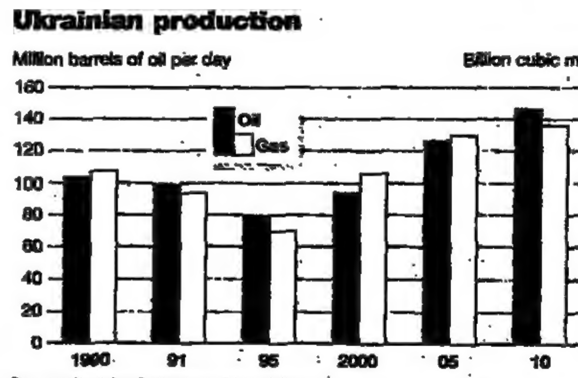
Among the ex-Soviet republics less well known for rich natural resources, Ukraine and Georgia are also trying to raise their profile abroad.

The energy sector, more than most others, can provide a partial solution to these countries' economic predicaments by exploiting a lucrative commodity and lessening dependence on imports.

Although they are nowhere close to having the resource potential of Azerbaijan or Russia, these countries however offer significant untapped reserves, largely ignored when Soviet needs were fully satisfied by Siberian and Caspian fields, and a good domestic market.

A difficult investment climate, a shortage of good geological data and a competitive world market are the hurdles they must overcome.

Ukrainian production



Source: Ukrainian State Committee of Geology

Smaller western companies, patient with the red tape and eager to claim a niche, moved in first. JKX Oil & Gas, a $250m outfit floated on the London Stock Exchange last year, operates two joint ventures in Ukraine and one in Georgia, along two Russian Caspian offshore fields.

The Georgian venture at the Notsminda field last month began drilling 700 barrels of oil a day under a production sharing agreement that gives JKX 30 per cent and the Georgian government 70 per cent.

The company intends to export through Black Sea ports, once a major gateway for Soviet production.

Although its offshore field near Ukraine's Crimean peninsula has not successfully tested a well yet, JKX has been producing about 3,000 barrels of oil a day and 2m cu metres of gas near Poltava, about 350km south-east of Kiev.

It is the biggest and first foreign investor in Ukraine's energy sector.

Company officials said profits were strong and Ukraine's six under-utilised refineries were eager to buy production, making export unnecessary.

Yet, to many investors' rising despair, the government remains the main player in the oil and gas ventures and negotiations can be protracted. JKX spent 17 months negotiating its 49 per cent stake in the Poltava venture. The five-year licence gives the state a 5.5 per cent royalty and first right of purchase. Half its revenues must be converted to Ukrainian karbovanets, the unwieldy local currency.

Mr Peter Dixon, asset director at JKX Oil & Gas, told an investment conference in Kiev last month that "certainly there have been bureaucratic, legal and fiscal hurdles to overcome". He cited an unfriendly tax structure, particularly VAT on capital costs and rental fees on oil and gas production.

These obstacles and difficulties are reflected in the slow rise of capital inflows: total foreign direct investment since 1991 amounts to less than $600m.

However, the levels of investment belie Ukraine's natural resources: 4,500bn cu m of natural gas and 1.2bn tonnes of oil and gas condensate lie under its soil, according to Mr Bohdan Byalyuk, deputy chairman of the state geology committee. The fields are in the western Transcarpathian region, the Dniepro basin and off the Black Sea coast.

The Soviet Union, in particular, lacked the technology to drill in the deep Black Sea, which Mr Byalyuk claimed could yield 2,000bn cu m of natural gas and 200m tonnes of oil and help make Ukraine self-sufficient in energy within a decade or so.

However, foreign investors complain the Ukrainian government continues to view them as cash cows, not partners. Aside from the loudly voiced grievances about taxes, poor legal protection and corruption, businessmen who turned out for a Ukrainian oil and gas sales pitch in Houston in January were unimpressed by the poor presentation of six pre-arranged projects in the three main regions.

They were also more than displeased by the $50,000 fee that Kiev asked for geological information about the Black Sea, according to industry officials.

"The oil business is a buyers' market," Mr Cox said. "Ukraine and Moldova are competing against so many other available projects, and they will find there's not a stampede of western capital."

Mr Cox said the Moldovan government gave him a deal he could not resist. Redeco plans to invest $25m over the next five years, having agreed to a flat tax on profits on the back end, and a 20 per cent production royalty on the front. The concession gives the company 10 years' exploration rights and 20 years to develop any field in the country. Two have been discovered.

But the western companies on the ground have company. Russian oil giants, recently privatised, are trying to extend their markets to the neighbouring republics, counting on good government connections.

Lukoil in December opened a Moldovan subsidiary, focused on opening gas stations and importing refined oil products. It is weighing its exploration options. "Our one goal is to corner the market," said Mr Vladimir Dobrea, Lukoil Moldova general director. "If you don't take the empty table someone else will".

OECD EXPORT CREDIT RATES

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for April 15 1996 to May 14 1996 (March 15 1996 to April 14 1996 in brackets).

D-Mark	6.82	(6.58)
Ecu	6.95	(6.76)
French franc	7.02	(6.91)
Guilder		
up to 5 years	6.05	(6.15)
5 to 8.5 years	6.85	(6.90)
more than 8.5 years	7.75	(7.75)
Italian lira	9.69	(9.56)
Yen	3.00	(3.00)
Peseta	10.25	(10.17)
Sterling	8.49	(8.14)
Swiss franc	5.12	(5.18)
US dollar for credits		
up to 5 years	6.78	(6.14)
5 to 8.5 years	7.19	(6.64)
more than 8.5 years	7.19	(6.64)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

Row over executive pensions delays report

By Jim Kelly, Accountancy Correspondent

Publication of an independent report outlining how UK companies should disclose the value of directors' pensions was postponed after a meeting between its authors and government and Stock Exchange officials yesterday.

The delay, until the end of this month at least, is likely to fuel charges that there has been a fierce behind-the-scenes campaign to soften the impact of the controversial pension proposals.

The opposition Labour party is expected to seize the issue and accuse the government of pandering to business leaders over the extent of disclosure rather than meeting the needs of shareholders. A pensions recommendation is the most controversial issue left over from Sir Richard Greenbury's report on executive pay, set up on the initiative of the Confederation of British Industry in January last year. Sir Richard asked the Institute and Faculty of Actuaries to work out the best way of showing the increase in the value of a director's pension over the year.

Most companies now show the cash cost to the company of providing a director's pension. Sir Richard said this failed to show the real cost to the shareholders and the real value to the individual directors. It also masked the cost of providing pensions to directors who received big salary increases at the end of their careers. It is understood the institute still intends to recommend that companies should reveal the increase over the year in the long-term capital value of directors' pensions – an option which can produce very large sums and is backed by many investors.

The CBI and the Institute of Directors oppose the idea and say companies should instead show the value of the total pension benefits built up by each director over the year – a smaller figure, but one seen as much simpler and less volatile. It would also be cheaper to implement.

Officials from the DTI and Stock Exchange met the actuaries last week. Neither would comment yesterday on what they will do with the report once it is published, but there are increasing signs that both have sought time to prepare detailed responses.

It is being suggested privately that they may take the institute's report and use it as a "building block" for formulating a form of disclosure which softens the application of the actuaries' chosen method.

They are also likely to stress the need to find a consensus. They will point to the large numbers of respondents to the actuaries' own consultation exercise who backed one of the other five possible disclosure options. An accountant in a firm dealing with pensions disclosure for company clients said: "This is a surprise; at this rate we will be back where we started in six months."

Doomed ostrich company had government support

By Clay Harris in London and Neil Buckley in Amougies, Belgium

The British government's Department of Trade and Industry provided financial support to Ostrich Farming Corporation only months before its move last week to wind up the company which has taken in millions of pounds from investors in ostriches.

The DTI released £660 ($1,000) to OFC after completion of a trade mission to Qatar, Saudi Arabia and Bahrain, said Mr David Tunks, who managed the trade mission last October for the Thames Valley Chamber of Commerce. Mr Tunks said the exhibit mounted by the OFC representatives, David and Pat Walsh, appeared to have attracted a lot of interest.

Although the amount of government money is nominal, OFC later featured the DTI support prominently in the January edition of its newsletter, On the Farm, the last one received by its ostrich owners and potential investors.

The DTI's petition to wind up OFC is due to be heard in the High Court in London on May 8. The Official Receiver, appointed provisional liquidator last week, sent representatives to Belgium to inspect the ostriches farmed there by Mr Eddy Nachtergaele on behalf of owners who bought them through OFC.

A representative of Jarvis Marketing, the company which handled UK marketing for OFC, said yesterday: "They were not expecting to find it [the farming operation] was real, but I think they have." The DTI refused to comment on any aspect of the OFC case.

● Surrounded by everything from llamas to albino wallabies on his "safari" farm in rural Hainault, Mr Eddy Nachtergaele vowed that his ostrich farming business would continue with or without the Ostrich Farming Corporation (OFC).

Since the UK government moved last week to wind up OFC, Mr Nachtergaele has received more than 500 telephone calls and a handful of visits from anxious owners of the ostriches he rears. The owners invested via OFC.

The company "guaranteed" annual returns of more than 50 per cent through a scheme to buy back ostrich chicks. It is believed to have taken in millions of pounds in recent months.

Mr Nachtergaele said he would write to all owners in the next few days to allay their fears. "All the owners are supporting me, and we will continue to farm; you can be sure of that 300 per cent," he said. "This is not a fantasy scheme. We have spent lots and lots of money."

Mr Nachtergaele said representatives of the UK official receiver, appointed by Britain's Department of Trade and Industry as provisional liquidator of OFC, visited him on Saturday to count birds and inspect the facilities.

They investigated claims – firmly rejected by Mr Nachtergaele – that some birds were injected with more than one microchip tagging device, so that several owners could each be persuaded this was their ostrich.

Mr Nachtergaele, 43, a specialist animal breeder whose farm at Amougies, 40km south of Ghent, is called Amo-Safari, rears everything from dromedaries to cassowaries. He branched into ostrich farming 10 years ago and linked with OFC in 1994, when he met one of its directors, Mr Allan Walker.

Now most of his ostriches are farmed on behalf of the company, and he is paid according to the number of birds he delivers. He provided the expertise, he said, while OFC provided the capital he needed to expand.

Mr Nachtergaele said he had 500 birds at Amougies, almost 1,000 at another farm in Beaumont, southern Belgium, and between 2,000 and 2,500 on five satellite farms.

Until now, he said, he had never had a problem with OFC. He hoped his business and OFC would be cleared by the investigation, and rejected offers from British farms to take over some of the birds. "We don't need to convince people that ostrich meat is lower in fat, lower in cholesterol than other meat," he said.

Mr Bob Walker was pulling in the crowds yesterday at his newly opened butcher's shop in the English Midlands selling steak, mince and stewing meat – all made from horses. "We've had very, very good demand," said Mr Walker, a horse slaughterer for 30 years who buys horses that have been put down because of injury. "I never expected it to be what it was." Customers seeking a cheap alternative to beef included visitors from France, where horsemeat is popular, young men and "a lot of old people who said it had been years since they had horsemeat."

He has named his shop Cheval Butchers. "If you put 'Horse Butcher' on a big sign, it looks barbaric," he said.

State sector offloading 1m sq metres of unwanted office space

By Simon London, Property Correspondent

Four years ago, MI6, the security service, moved to an impressive new headquarters at Vauxhall Cross beside the River Thames in central London. It left behind Century House, an ugly 1960s office building in nearby Lambeth.

The chances of finding a new tenant for Century House were virtually nil. Yet with more than 10 years left on the lease, the cost to the public purse of handing the building back to its landlord would have been about £18m ($27.4m).

The eventual deal involved the government buying the freehold and selling the entire site to a developer for conversion into flats. Even so, the cost of getting rid of the property was £8m.

The story is not unique. Property Advisers to the Civil Estate (PACE), established last week as an executive agency, is responsible for disposing of 1m sq m of unwanted government office space.

Most of the 400 or so empty buildings are leased rather than owned freehold. PACE estimates that it would cost the exchequer about £540m to buy its way out of these leases.

The amount of empty space has grown rapidly in recent years. In the past three years the number of government officials has fallen by 11 per cent to 506,000, the lowest number since the second world war.

Mr Neil Borrett, chief executive of PACE, said the change had made each department concentrate on how much space it really needed. The result is that the proportion of empty space in the government's office portfolio has increased from 7 per cent to 13 per cent in the past five years. He estimated that 75 per cent of the government's unwanted office space was in London.

PACE hopes to minimise the cost of disposing of unwanted buildings by striking more deals with private sector landlords. The Department of the Environment, for example, is leasing a new headquarters building in central London from Land Securities, the UK's largest property company. As part of the deal the company is also releasing the Ministry of Defence from lease obligations.

In other cases the cheapest option is simply to let leases run their course – sometimes these have only a year or two left to run.

Other empty buildings will be refurbished for occupation by other government departments. Although departments now have responsibility for their own accommodation, one of the main tasks of PACE will be to ensure that "recycling" of unwanted buildings continues.

The government is not alone in facing these problems. Until the recession struck, leases of 20 years or more were standard practice in the UK commercial property market. After years of rationalisation, many companies are also saddled with unwanted buildings.

Imports boost share of car market

REGISTRATIONS OF NEW CARS	Mar 1996 Volume	Change %	Share %	Mar 95 % Share
Total market	180,275	+0.9	100	100
UK produced	70,209	-4.7	39.0	40.5
Imports	110,066	5.9	61.1	59.5
Japanese makes	12,111	2.6	6.7	6.5
Ford group	36,246	-7.8	20.1	21.8
– Ford	35,534	-7.9	19.7	21.2
– Jaguar	712	-2.9	0.4	0.4
General Motors	29,294	0.2	16.2	16.1
– Vauxhall	28,006	-0.4	15.5	15.4
– Saab*	1,288	8.0	0.7	0.7
BMW group	26,984	-2.3	15.0	15.2
– BMW	5,450	-5.7	3.0	3.2
– Rover**	21,534	-1.4	12.0	12.0
Peugeot group	19,699	-11.7	10.9	12.3
– Peugeot	13,820	-3.2	7.7	7.9
– Citroen	5,879	-26.9	3.3	4.4
Volkswagen group	13,324	23.3	7.4	6.0
– Volkswagen	8,650	37.5	4.8	3.5
– Audi	2,204	10.8	1.2	1.1
– SEAT	1,545	171.5	0.9	0.3
– Skoda†	925	-52.7	0.5	1.1
Renault	11,017	2.8	6.1	5.9
Nissan	8,580	-5.8	4.8	5.0
Fiat group	6,885	1.3	3.8	3.7
– Fiat	6,558	1.3	3.6	3.6
– Alfa Romeo	327	2.8	0.2	0.2
Toyota	5,019	-3.2	2.8	2.9
Honda	4,106	9.7	2.3	2.1
Mercedes-Benz	3,195	16.9	1.8	1.5
Volvo	2,861	-30.6	1.6	2.3
Korean makes	3,702	127.0	2.1	0.9

*GM holds 50% of Saab Automobile and has management control. **Includes Range Rover/Discovery. †VW holds 31% of Skoda and has management control.
Source: Society of Motor Manufacturers and Traders

March data from the Society of Motor Manufacturers and Traders confirmed that the new car market was largely sustained by fleet purchases. However, even the 3.9 per cent rise in fleet and business buying was not enough to offset the fall in private purchases. The National Franchised Dealers Association said prices of new cars were too high.

Car components, Page 15

Suppliers of farm chemicals are accused over advice

By Jenny Luesby in London

British farmers' profitability is being threatened and land unnecessarily polluted because of poor advice from agrochemical retailers, according to chemical manufacturers and independent researchers.

Since the progressive phasing out of national crop trials in the UK during the 1980s, retailers have become the main source of information for farmers on how best to use herbicides, pesticides and fungicides.

Newer agrochemicals tend to be more expensive and more effective, needing fewer sprayings and leaving less residues. But they carry lower margins for retailers.

One agrochemical, Opus, has been identified in crop trials by groups such as the French national testing body, ITCF, and the UK farmer-funded research group, HGCA, as the most effective disease control agent for wheat and barley. Even in dry conditions, when crops are less prone to disease, it can increase yields by more than a tonne a hectare.

For 100 acres (42ha) of wheat, selling at about £135 a tonne, this translates into a gain of £5,500 a season. Yet in the UK Opus is being used at half its recommended rate in mixes with older chemicals, says Mr Jim Orson, of Adas, the agriculture advisory service funded by farmers.

The manufacturer BASF claim this could cost British farmers up to £35 per hectare in lost yields this spring.

Mr Derek Ward of Ukasta, the retailers' trade organisation, denies that retailers are recommending half doses of Opus. "It is impossible to imagine this happening, particularly at the moment, when growing conditions are not good. There would be no gain to doing it," he said.

However, BASF says that its sales and market research data show the highest usage rates for Opus in the UK last year were 54 per cent of the recommended rate, far lower than anywhere else in Europe. Farmers such as Mr Peter Limb of Nottinghamshire confirm that they are using the product at half the manufacturer's recommended rate.

British farmers are often receptive to the idea of half doses. Many are suspicious of agrochemical manufacturers' recommendations and averse to applying ready-made mixes at dictated levels. They also tend to trust retailers, who are regular visitors to their farms.

This puts pressure on retailers, says the market research group, Product Services, to recommend cheaper mixes and lower application rates "to show that their advice, which they are charging for, is cost-effective."

Unlike the rest of Europe, where trial data are provided by national testing bodies, such as the ITCF in France, such advice can be unrelated to crop trials. In the UK, BASF argues that farmers' tendency to maximise efficiency by tailoring doses is being complicated by suppliers' profit considerations.

Biggest PC makers tighten grip on market

By Paul Taylor in London

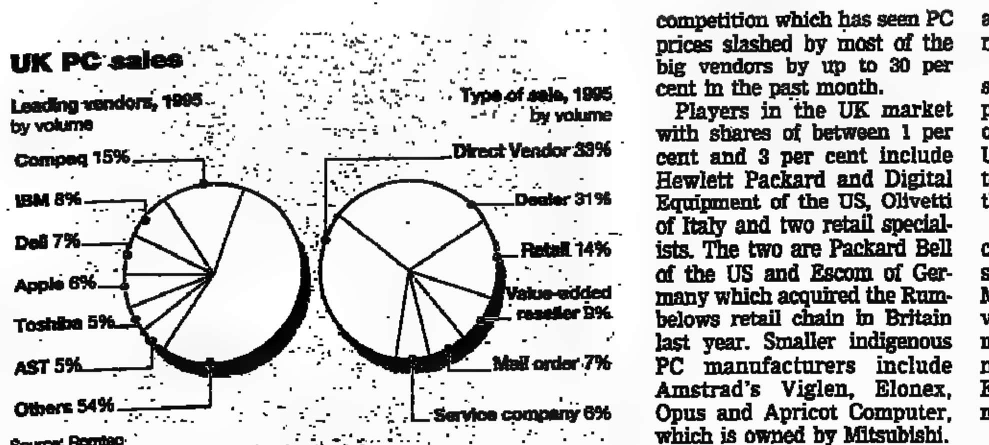
ICL's recent decision to pull out of the lossmaking personal computer business consolidates the grip of the world's largest PC makers over the UK market. ICL decided to place its volume products operations under the control of Fujitsu, its Japanese parent.

The UK market for PCs was worth about £4.5bn ($6.9bn) last year according to Romtec, the market research firm. The market was already dominated by a handful of international vendors including Compaq Computer, International Business Machines, Dell Computer and Apple Computer of the US.

These manufacturers and two others together accounted for 46 per cent of the buoyant UK market last year. The two were Toshiba of Japan, which builds portable machines, and AST Research, the struggling US personal computer manufacturer now controlled by Samsung, the South Korean electronics group.

In 1995 the UK market for PCs grew by 21 per cent to 2.7m units according to Romtec's Market Monitoring Service. The main international vendors benefited from the surge in consumer spending on PCs.

UK PC sales



Source: Romtec

Retail shipments grew by 38 per cent last year to account for 14 per cent of all PC sales. Meanwhile, the proportion of PCs sold direct from manufacturers such as Dell Computer, Gateway 2000 and Amstrad's Viglen unit fell by three percentage points to 33 per cent.

Despite this, both Dell and Gateway increased their market shares last year. Like most of the other top-tier computer makers, they have manufacturing operations in Great Britain or Ireland enabling them to react quickly to market changes.

Indeed, although there are no indigenous UK-based companies among the top-tier PC manufacturers, Britain remains an important PC manufacturing base for global companies targeting the relatively fast-growing European market.

Excluding the large multinational manufacturers, the rest of the UK market is divided among dozens of smaller manufacturers and niche market specialists which are less vulnerable to the kink of price competition which has seen PC prices slashed by most of the big vendors by up to 30 per cent in the past month.

Players in the UK market with shares of between 1 per cent and 3 per cent include Hewlett Packard and Digital Equipment of the US, Olivetti of Italy and two retail specialists. The two are Packard Bell of the US and Escom of Germany which acquired the Rumbelows retail chain in Britain last year. Smaller indigenous PC manufacturers include Amstrad's Viglen, Elonex, Opus and Apricot Computer, which is owned by Mitsubishi.

Like Fujitsu with the Fujitsu ICL brand, Mitsubishi is attempting to use Apricot's established base in the UK as a springboard to expand its European and worldwide PC operations. Last month Mitsubishi announced plans to invest £131m in Apricot, creating more than 400 jobs in the UK and 300 in mainland Europe.

Mitsubishi's UK expansion plans, like those of Fujitsu, reflect the need to become a global manufacturers and to increase PC volumes in order to survive in the fast moving and fiercely competitive PC market.

While competition and pressure on margins are likely to put further squeezes on second-tier manufacturers in the UK as elsewhere, another sector of the market continues to thrive.

The third tier of PC vendors consists of small companies such as Dan Computer and MJN Technology, part of Granville Technology Group, which mainly use commodity components sourced from the Far East to assemble low-cost machines locally.

Although they lack the purchasing clout of the global manufacturers, they have highly flexible cost structures and their small size enables them to respond quickly to changes and adopt new technologies quickly.

Niche market specialists such as London-based Psion, which has emerged to become the world leader in hand-held computers, also continue to thrive in the UK. But like most of the country's other computer manufacturers, Psion recognises that much of the growth in future will come from outside the UK.

UK NEWS DIGEST

US groups join multimedia project in Wales

About 500 permanent jobs are expected to be created in a £50m ($76m) project to develop a multimedia park in Cardiff Bay, south Wales. Celtic Gateway, the consortium behind the project, has been formed by Orion Network Systems of the US; CableTel South Wales, the US-owned company which has the local cable franchise; its joint venture partner Hyder (formerly Welsh Water); Christiani & Nielsen, an international construction group; and TCI Corporation, a London-based financial and marketing company.

The consortium seeks to attract multimedia, financial services and call centre companies to a 12.5ha site. It believes there is potential to create up to 3,500 jobs at the park during a five-year development programme. In the first phase, Celtic Gateway plans to build a 9,500 sq m multi-occupancy building. The project is being financially supported by the Welsh Development Agency and Cardiff Bay Development Corporation with some initial funding from Bank of Wales.

Roland Adburgham, Cardiff

Income inequality grows

The UK saw the largest increase in income inequality in Europe during the 1980s, and the trend is likely to continue, says the latest issue of the Oxford Review of Economic Policy. All European countries saw a long-term trend towards greater equality checked in the late 1980s, but the shift was deepest in Britain. "The largest and most sustained episode of increasing inequality during the 1980s was in the UK," the study argues.

It shows that Britain displayed a strong equalization in wealth distribution from the 1920s until the end of the 1970s, but that this was reversed in the 1980s. The study says that the "most significant factor" in the increasing equality was the steady accumulation of assets by people below the top capital strata in the country. The report suggests that the trend away from equalisation is likely to continue. It says this is likely to be true largely because of the higher returns currently generated by investments in securities, which tend to be held by wealthier people, relative to those from other assets such as property.

The study also notes that the European Union as a whole still has a far more even income distribution than the United States. It says this is true despite higher average income in the US largely because the poorest groupings there are significantly worse off than most of their European counterparts.

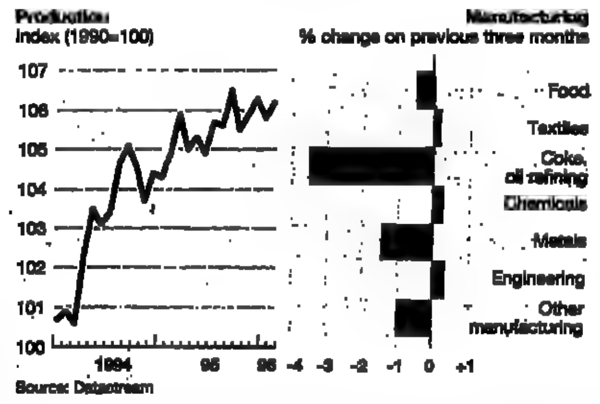
Mark Suzman, Social Affairs Correspondent

Retailers increase orders

Retailers increased orders placed with their suppliers last month by the fastest rate for more than two years, says a business survey. The increase should boost hopes that stronger consumer spending will raise factory output in the coming months. However, any upturn in consumer spending has not helped manufacturers much yet: separate figures yesterday showed that factory output was sluggish in February.

Measured overall, manufacturing output fell by a seasonally adjusted 0.5 per cent in the three months to February compared to the previous three months, while industrial production rose 0.1 per cent. This left the Office for National Statistics estimating that the trend annual growth rate in manufacturing and industrial production is now zero – the worst pattern for more than three years. But there are sharp distinctions between sectors. Although output of raw materials and investment goods has been weak recently, output of consumer goods has risen sharply. This patchy picture may reflect de-stocking. However, it may also reflect the changing nature of the UK recovery. For whereas exports drove the economic upturn in 1994, these have weakened in recent months as European growth has slowed.

Patchy economic picture emerges



Source: Datastream

Gillian Tett, Economics Correspondent

Mortgage rates are cut

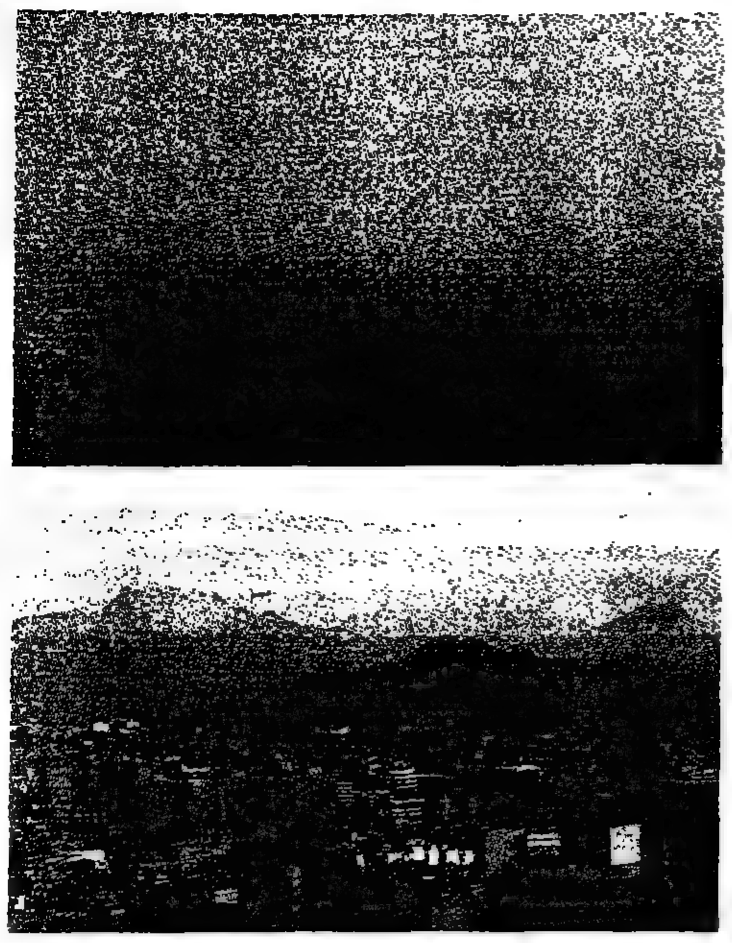
Britain's diehard mutual building societies raised the stakes in the mortgage war with another cut in their mortgage rates. The Nationwide and Yorkshire building societies, two of the largest home loan groups which remain committed to mutual ownership, said they would cut their standard mortgage rate by 0.25 percentage points to 6.74 per cent. That is the lowest rate for 30 years, and undercuts by half a percentage point the 7.24 per cent rate offered by most of the larger lenders who have either converted themselves into limited liability banks or plan to do so.

George Graham, Banking Correspondent

Lex, Page 16

Cannabis farm: A police raid on a farmhouse in south-west England found about 1,000 cannabis plants growing in specially adapted sheds, a court in Bristol was told. The plants could have yielded up to £75,000 ($114,000) worth of illegal cannabis, said a lawyer prosecuting Mr John Lucksted, who manages a farm on the estate of Earl Waldegrave. The earl is the older brother of Mr William Waldegrave, a Treasury minister. Mr Lucksted admitted possessing the plants but claimed they were solely for his own use, the court heard.

BUSINESS AND THE ENVIRONMENT



Associated Press

What a difference: Mexico City on a smoggy day and the same view on a clear one

Passage to cleaner air

Mexico needs a more structured approach if it is to overcome its pollution, reports Daniel Dombey

Deep within the recesses of a Mexican government agency, an official nervous shoots off plans to persuade Mexican companies to become more environmentally aware – at almost the same frequency at which he lights a cigarette.

Francisco Giner de los Rios, director-general of environmental regulation at Mexico's National Ecological Institute, thinks the shortcomings of current environmental policies should make Mexico leapfrog a generation of pollution controls and establish more flexible, market-oriented rules.

Though the growth of Mexico's fearsome pollution has been slowed by more active government measures in recent years, the foul air in Mexico City, the acidic waters of the southeast, and the spoiled earth of the border area all testify that more has to be done.

For government technocrats such as Giner, the pollution shows the inadequacies of the "command and control" style of environmentalism – the closing of factories, establishing fines and pollution quotas – that is relatively new for Mexico, although now traditional in richer countries.

But although the institute's formal role is to set environmental rules for industry, political problems have slowed its progress and the pollution remains.

The air in Mexico City is one example. Lead and sulphur dioxide emissions have been cut spectacularly in less than a decade. But the air is still often all but unbreathable, charged with ozone that makes the city's inhabitants cough and wheeze.

One current anti-pollution programme, a paradigm of command and control, bans cars from Mexico City's streets one workday a week, depending on the number plate; a move once hailed by a former mayor as little short of a panacea to the capital's contamination. But officials now grudgingly admit that the programme has pushed people to buy new cars and boosted traffic, because of residents' desire to sidestep the ban by running a second vehicle – often older and dirtier.

A complementary emergency programme that shuts down a third of industry and bans half of all cars at times when ozone levels become dangerously high – also an example of command and control – has met even more hostility.

"The cost of these kinds of indiscriminate rules grossly outweighs any benefit they might provide," says Hector Sepulveda, head of the environmental commission of the Mexican Employers' Confederation, one of the country's leading business organisations.

But despite the unpopularity of command and control, more flexible rules have yet to emerge. Last month, the Mexico City government and other arms of the administration came out with a new programme to improve the city's air, which established the principle that, from next year, only the dirtiest cars should be restricted from the streets.

A five-year plan for the environment, announced recently by central government, essentially limited its comments about regulations to affirming that rules should be more incentive-based than in the past.

Giner and his superiors in the institute favour the spending of funds on maintenance and investment rather than on the constant measurement of emissions; an energy tax to make the use of fuels more efficient; and "pollution bourses", in which dirtier companies would make cash transfers to their cleaner counterparts. All, Giner thinks, would help Mexico towards the sustainable development that the country has adopted as a new goal.

Yet the business organisations whose approval is necessary under Mexico's tripartite industrial policy are wary of schemes that could leave them making large payments to state firms that officially pollute less. Local governments are not keen to see the measurement of contamination slowed down.

The power of the state petroleum and electricity industries – and the practice of fixing fuel tariffs more to achieve a government fiscal balance than to reflect costs – leaves environmental considerations with a limited influence over energy prices. And the current economic crisis provides a disincentive to investing in the upkeep or upgrade of polluting installations. As Sergio Vázquez, a small businessman who makes chemicals for the steel industry, complains: "What is the point of making us pay more if we have no money to improve our equipment in any case?"

Some policies which put a premium on flexibility and incentives have been tried out, and successfully so. Since 1992, 450 companies have carried out voluntary "environmental audits", comprehensive examinations of current procedures, winning the privilege of fewer environmental inspections and recognition as clean firms.

But the lack of a structure of corresponding incentives and sanctions, such as loans, tax credits and fines, reduces the significance of the procedure. Widespread alleged corruption among environmental inspectors means, says one businessman, that "usually it is cheaper to pay off the official than to make the improvements".

"Our big challenge is to win over people in the government agencies themselves," says Juan Carlos Belausteguigoitia, the head of economic analysis in the country's environmental ministry.

Many officials are still wedded to command and control, particularly when compared with any more complex system of incentives. Many are still focused on priorities that appear to have receded, insisting, for example, that liquid petroleum gas plays a small part in the production of the city's ozone, despite recent evidence appearing to show the contrary.

In reality, government bureaucrats have proved unwilling to decentralise responsibility. In parallel, the concentration of industry in Mexico City, drawn in by the area's power, markets and formidable subsidies, provides an endless pressure on the city's environment. Programmes to promote industry in the provinces have had only patchy success.

Some bureaucrats, such as Giner, hope that, in spite of such obstacles, the government apparatus will give the new ideas a green light in the near future, so ending what amounts to a policy vacuum. But plenty of pessimists think there is a long road ahead.

David Lascelles reports on one of the largest, although least glamorous, sources of renewable energy

Tapping into landfill gas power

If discarded rubbish gives off a harmful but combustible gas that would otherwise go to waste, it makes sense to burn it for energy.

This is the philosophy behind landfill gas power generation, one of the largest, if least glamorous, sources of renewable energy. But like other types of "green" power such as wind and solar, landfill gas is not economic on its own: it needs a subsidy.

The UK is among the world leaders in landfill gas power generation, mainly because landfill accounts for a large part of waste disposal. After 15 years in development, the UK now has some 50 landfill gas projects. Their total capacity is small – about 80MW, or 0.1 per cent of capacity in England and Wales – but their role is likely to expand as the government extends its subsidy programme, the non-fossil fuel obligation (NFFO).

Landfill gas is given off by putrescible waste in a mixture of methane, carbon dioxide and oxygen. The methane gives the gas a calorific value that makes it worth collecting. But since methane damages the ozone layer, and carbon dioxide contributes to the greenhouse effect, there are strong environmental reasons for collecting the gas as well.

The gas is gathered by pipes sunk into the waste and drawn out by fans. It then travels along connector pipes to be filtered and pressurised before being fed into the power-generating unit, usually an internal combustion engine, though sometimes a gas turbine.

The amount of gas that can be extracted from a waste dump varies. Some 1m tonnes of waste produces between 500kW-1MW of electricity, which is considered the minimum for a viable plant.

The cost of electricity from landfill gas works out at around 4.1p-4.4p a unit – the price at which projects put in bids for the government's last round of subsidies, NFFO 3. Although this makes it one of the cheaper forms of renewable energy, it still falls some way short of the price of electricity in the wholesale market: about 2.5p.

"While we understand we have to be efficient, you also have to be realistic," says Michael Averill, chief executive of Shanks & McEwan, the waste management group, which is now Europe's largest landfill gas generator. "Landfill gas can't compete with the economies of scale of the huge power stations."

Because of this, the landfill gas industry has been stressing its environmental credentials: that it makes good use of harmful gases which have to be collected anyway.

However, there are other challenges facing the industry. One is the fact that, while the government is prepared to include landfill gas in its subsidy programme, it believes that, in the long run, it makes more sense to incinerate rubbish before it even reaches the landfill, and recover the energy that way.

But that is also controversial. There have been scares about dioxins produced by waste incineration, and it has become difficult to obtain planning permission for new incinerators. Also, as the landfill gas industry points out, more than a third of the waste that goes into incinerators comes back out as ash that has to be disposed of as well.

Nonetheless, the forthcoming UK landfill tax is expected to reduce the amount of waste going to landfill in the long run, raising questions about the growth prospects of the landfill gas industry once all the leading sites have been tapped. A proposal to give tax credits to landfills that used their gas to generate electricity was dropped as too complicated.

The continued ability of landfill gas to qualify for the NFFO subsidy is, therefore, crucial to its future.

Already, 177 projects with a potential capacity of 358MW have lined up for inclusion in the next round, NFFO 4.

John Gummer (l), environment secretary, and Paul Andrews, Shanks & McEwan project engineer, at the opening of a landfill gas power station in Peterborough

However, Harry Wyndham, managing director of Combined Landfill Projects, a small independent company part-owned by Hambros, the merchant bank, says that price is a relatively small advantage of NFFO because the costs of landfill gas generation are converging with the open market. More important, NFFO projects qualify for long-term contracts – up to 15 years – which creates the confidence needed to obtain funding.

He also plays down concerns about dwindling numbers of landfill sites. "There are still plenty out there which have not been tapped, or only partly tapped," he says.

Television/**Martin Hoyle**

Catchpenny viewing over Easter

The peak viewing on the holiest day of the Christian year was provided by Ruby Wax meeting a notorious Hollywood whoremonger. As an interested agnostic, I wondered whether there was some spiritual significance in this, a reference perhaps to the first witnesses of the Resurrection – women – and perhaps a compassionate glance at Mary Magdalen.

It actually looked horribly like cheapjack catchpenny holiday programming by someone who had not realised that Heidi Fleiss had been dealt with thoroughly on another channel a few weeks ago, complete with the same dramatis personae including her cute little brother. Of course there was also Joan Bakewell in *The Heart of the Matter*, but the avid viewer-listener was suffering a surfeit of Bakewell, what with her Radio 4 performance in *God Is Dead* and a recent poll on the 1960s of which she professed vague ignorance (oh come on, Joanie!).

BBC2 hardly helped, with a more than usually leisurely and discursive *Bookmark* on Samuel Beckett, not the author best calculated to make one rush into the street with glad cries of "Kyrie eleison!". Easter Sunday also saw the launch of a pair of two-part drama blockbusters, both with an Anglo-American flavour, a sign of the direction market-force television is taking.

There was nothing really wrong with the much-heralded *Gulliver's Travels* from the *Brideshead* stables on Channel 4; it was just duller than a mammoth international production with lavish visuals and creaking with well-loved home-cured British ham has any right to be. The cast was inevitably headed by Americans as Mr and Mrs Gulliver. Mary Steenburgen managed a charming miminy-piminy English accent, school of Greer Garson; Ted Danson remained unshakably transatlantic. More to the point, he showed less complexity and subtlety in the role than in any one episode of *Cheers*.

The trouble was that Simon Moore's "adaptation" (i.e. complete rewrite) interlarded the famous voyages with a plot about Gulliver back home, disbelieved and clapped into Bedlam as a madman by nasty smoothie James Fox (resembling Anthony Blunt in a fright wig), who covets Mrs G. Constant cutting between domestic *angst* and the fantastic adventures made for a pace both slow and jerky (presumably dictated by commercial breaks as much as the intended audience's minuscule attention span).

In his travels Gulliver encountered much mugging, grimacing and shouting, especially among English actors. These were notably cast as reactionaries, weirdies, pompous caricatures and jolly stereotypes. Americans tended to be nice, as in Brobdingnag, an entirely American country of both black and white where the enlightened black queen spoke of justice and the common good, the producers thus craftily combining liberal appeal with the likelihood of transatlantic finance. Peter O'Toole was mildly embarrassing as the emperor of Lilliput. He seems totally uncontrollable these days, since his extraordinary appearance at Blandings.

The special effects were what one expects from television these post-*Box of Delights*, post-*Borrowers* days. *Gulliver* has achieved Brobdingnagian viewing figures in America. Which I suppose is what it was meant to do.

Over Here (BBC1) is set on a Norfolk air-base in the last war. It opened with a young couple mollocking in the grass in some very un-wintery countryside, which made the subsequent news of Pearl Harbour (early December, history relates) ring rather unseasonal. But then it is hard to know what criteria to apply to this "comedy drama" by John Sullivan, he of the matchless *Only Fools and Horses*. Farce? Sitcom? Nostalgic sentimentality? Despite the mixture of styles in both writing and acting – Samuel West yet again proves himself one of our best young actors, Jay Goede is a discovery as his unlikely USAF pal, Martin Clunes plays as if in *Charlie's Aunt* – this comedy of Anglo-American strains and fraternisation had oddly touching moments.

The same could be said of *Eskimo Day* on Good Friday. Jack Rosenthal is a wonderfully perceptive comic writer, but here he wore his heart a trifle too obviously on his sleeve. Two sets of parents each takes a child to Cambridge to be interviewed for a college place. The working-class northerners have a son articulate to the point of verbosity and ironically facetious in a way that exhausts the listener if not himself; the posher middle-class couple have a daughter harassed by her father's ambitions and her mother's fussing. There was also a mother who surreptitiously followed her son from London and kept an eye on him with the help of helpful traffic wardens and lovable street-sweepers. All we needed was a magic piano and a score by Julian Slade: *Salad Days, the Prequel*. Sometimes truth stabbed home, as when the middle-class father was revealed as a fantasising phoney; but there was improbable whimsy, including the working-class dad's self-conscious aspiration to flowery circumlocution. The film touched fleetingly on such complex issues as parents letting go and children striking out for themselves – as if breaks were as clean as that. Nice performances all round, though Maureen Lipman's superstitious mum came over as a cartoon figure thanks perhaps to her husband's script; sheer joy from Gillian Barge's briefly-glimpsed fortune-teller.

There is something exhilarating about watching good acting. We still do it well, and ensemble playing can be as exciting as a Wimbledon final. This was evident in BBC1's *Deep Secrets* (Saturday), a "psychological thriller" – usually words as suspect as "comedy thriller" but here perfectly apt. Hossein Amini's script and Diarmuid Lawrence's direction created a broodingly oppressive nightworld from Manchester's gangster scene.

Basically a tough and gritty undercover-cop story, the film brought *film noir* up to date with shadowy scenes of sexual tension and layer on layer of role-playing, bluff, double-bluff and betrayal. Smashing playing from Colin Salmon, Sophie Okonedo – a new name to me, wonderfully powerful – Ann Mitchell (on the side of the law this time but still dead frightening) and Amanda Donohoe, so often bogged down in bad films but a treat with good material.

Opera

A team effort 'Orfeo'

Even the wealthy court of 17th-century Mantua could not afford a theatre the size of the Coliseum. That is the problem when it comes to putting on operas as small in scale as those of Monteverdi: they tend to get swallowed up by this cavernous acoustic, however good the intentions.

Some large opera-houses turn to modern-day arrangements which inflate the scores to the appropriate proportions, but English National Opera's *Orfeo* stays close to period style, or at least a compromise version thereof. A small group of strings from the ENO orchestra is teamed with lutes, sackbutts and recorders. Early music aficionados get the authentic quality they want, while the unions may be pacified by seeing at least some of their members in the pit.

Down there, however, the sound gets muffled. We really need the musicians lifted up into view, so that the music regains some of the vividness it would have had in a small Mantuan hall.

Nicholas Kok conducted a performance that was a compromise in style as well, eschewing extreme theories of authentic performance practice in favour of a generalised expressiveness that should please those ENO regulars more used to Puccini than Monteverdi.

With a part of the set for *Tosca* propped against the back wall, they should feel quite at home. David Freeman's production, dating from 1981, is in the workshop manner then encroaching on the world of opera – no sets, no star turns, no tired routine, no make-up and no underwear. It is a production style that has been much abused since, not least by Freeman himself, but this deserves its reputation as one of his most persuasive shows.

A group of Greek villagers meets to enact the myth of Orpheus. Each has a part to play, whether god or hero, shepherd or peasant. The story is told simply in the manner of a mystery play, though mixed with the kind of physical theatre that has always interested Freeman. At its best the production throws up some powerful images: the group's nervous, jogging-on-the-spot journey from Hades and its hungry recapture of Eurydice linger in the memory.

So does the slow, stylised rowing of Charon, ferryman of the underworld, who was sung here with chillingly unwavering, dark as night bass tone by Brian Matthews. Guy de Mey, the specialist early music tenor, is the guest Orfeo from Belgium, singing the title-role in idiomatic English, though he sometimes leaves the music's expressive potential unsung. Sarah Connolly delivers the Messenger's fateful news with stark impact. It is – as Freeman intends – a team effort and various of the smaller players make their mark.

Richard Fairman

Further performances until April 26.

Drawn by Van Gogh

An unsigned drawing is being unveiled in Amsterdam today, reports **Adam Hopkins**

An unsigned drawing in pencil, chalk and watercolour has been identified as the work of Van Gogh. The drawing, showing a woman carrying a child on a windy day along a road in an unmistakably Dutch landscape was unveiled today by the Van Gogh Museum in Amsterdam, where it will be on show until May 9.

The existence of the unsigned drawing, 29.3cms by 43.8cms, has long been known, though in 1930 it was listed among so-called "false Van Goghs" by J.B. de la Faille, then the leading expert in the field. Since that time its whereabouts have been a mystery. Now, after almost 70 years, it has suddenly appeared again, in circumstances which have allowed the museum to identify it, with 100 per cent certainty, as a Van Gogh.

In late 1994 the Hamburg art dealer Thomas le Claire, acting for an anonymous German collector, asked the Amsterdam museum to pronounce on the drawing's authenticity. The Van Gogh Museum's curator of drawings, Sjraar van Heugten, was engaged in an extensive analysis of Van Gogh's drawings, re-cataloguing the museum's 450 Van Gogh drawings and 100 sketches, the largest collection in existence.

Van Heugten, whose study included comparisons with Van Gogh drawings in other collections, was already aware of a group of three drawings on identical sheets of pale, pinkish-brown laid paper with an easily visible "JV" watermark, which he identified as the products of Van Gogh's tumultuous period when he worked in a studio in the Hague.

Examining the "new" drawing from Hamburg, Van Heugten was now able to identify it as another in the recently recognised Hague group of April-May 1883. Not only does it bear the "JV" watermark but the technique is also identical, with brush drawing in black (or brown-black) and white.

There is one oddity – a small blue circle in the sky above the road, like a livid sun observed through mist. It is, Van Heugten says, "merely an unfortunate ink blob". The rest of the early drawings, to be included in the museum's recataloguing, go on display next month. More revelations are promised.

Concert/**David Murray**

Boulez and Henze song-cycles

Last week the latest instalment of the South Bank's "*Towards the Millennium*" series, which has now reached the 1950s, matched Pierre Boulez against Hans Werner Henze, *Le Marteau sans maître* against the latter's *Kammermusik 1958*: a thought-provoking pair.

Le Marteau remains an icon not just of the 1950s, but of pure post-war modernism. It has been a while since a major group like the London Sinfonietta performed it here, so the little Purcell Room was sold out (and there were too few programmes to go round). In this company Henze's *Kammermusik*, which is also a kind of extended song-cycle, sounded – well, like Henze: friendlier, patently heartfelt, operatic, inclined to sprawl, a bit longer than it needed to be. The comparison was intriguing.

When Boulez's *Le Marteau* began to do the international rounds in the late 1950s (always played by virtuosi, for hardly anyone else could even read it), it registered at once as the most rigorously *new* music we had heard. Other composers had extended their palettes to extraordinary new sounds and dynamic extremes, but their procedures still had audible roots in German expressionism and academic serialism (Stockhausen), Italian opera (Nono and Berio) and so forth. *Le Marteau* sounded like almost nothing else – except, as Stravinsky pleasantly observed, the clinking of ice in cocktail glasses.

Besides the solo alto voice, it uses just two "melody"-instruments in the same range, alto flute and viola, along with guitar and a range of clicking, chiming percussion. In many sections, only two or three instruments play. The vocal part (on poems by René Char) is sharply expressionist but coolly abstract, hermetic.

Among the spidery lines of the music, nothing much like "harmony" can be detected, nor melody either (hardly a phrase is ever repeated), and the crackling rhythms are elusive. Yet it has the stamp of rigid purpose, like a taut, intricate mechanism.

What was striking about this *Marteau*, conducted by Markus Stenz with Fiona Kimm as soloist, was that it sounded like a real song-cycle, albeit a very odd one. It was not so sensationally precise as some recorded versions, but the Sinfonietta players made music of it all. Miss Kimm performed confidently like a singing actress, not someone picking her way through a hazardous score. It was thoroughly rewarding to hear; only the tam-tams near the end seemed too tame to carry their due weight of finality.

Kammermusik 1958, on limpid, lucid texts by the mad Hölderlin, comes from Henze's Italian period. Like *Le Marteau*, it comprises not only "songs" but instrumental commentaries upon them, and gentle guitar interludes (exquisitely shaped here by Steven Smith). Most of Henze's favourite ingredients crop up in the heady brew: wistful Italianisms, lusty instrumental picture-painting, near-Wagnerian stretches.

The soloist John Graham-Hall – who is still a tenor, though the time is surely not far off when he will settle for being a high baritone – lent special distinction to the performance. His combination of extreme sensitivity and a sense of delicate strain in the highest passages was strangely affecting, and it lit up Henze's best moments in this uneven work.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Orlando Quartet: perform works by Haydn, De Leeuw and Beethoven; 8.15pm; Apr 11, 13

■ BERLIN

DANCE
Deutsche Oper Berlin
Tel: 49-30-3438401
● Tokyo Ballet: perform the choreographies The Firebird, Le Sacre du Printemps and Petrushka by Maurice Béjart, to music by Stravinsky; 7.30pm; Apr 12, 13, 14, 15

■ BONN

OPERA
Oper der Stadt Bonn
Tel: 49-228-7281
● *Queen of Spades*: by Tchaikovsky. Conducted by Shuja Okatsu and performed by the Oper. Bonn. Soloists include Spaho, Jugovic, Atlantov and Schewtchenko; 8pm; Apr 12

■ EDINBURGH

CONCERT
The Queen's Hall
Tel: 44-131-6683456
● The BT Scottish Ensemble: with conductor/violinist Clio Gould and tenor James Oxley perform works by Britten, Tchaikovksy and Elgar; 7.45pm; Apr 11

■ LEIPZIG

OPERA
Oper Leipzig Tel: 49-341-1261261
● A Midsummernight's Dream: by Britten. Conducted by Krüger and performed by the Gewandhausorchester. Soloists include Hoffstedt, Damm, Köhler and Möwes; 7.30pm; Apr 11

■ LONDON

CONCERT
Purcell Room Tel: 44-171-9604242
● Yonty Solomon: the pianist performs works by J.S. Bach, Arnold and Liszt; 1.05pm; Apr 11
St. John's, Smith Square
Tel: 44-171-2221061
● Nicolai Gedda: accompanied by pianist Shelley Katz. The tenor performs songs by Franck, Dvorák, Lalo, Gounod and Grieg; 7.30pm; Apr 11
EXHIBITION
National Portrait Gallery
Tel: 44-171-3060055
● John Deakin – Photographs: retrospective of the photographic work of John Deakin (1912-1972). The exhibition comprises more than 100 black-and-white prints with the emphasis on Deakin's portrait work. Also included are his fashion and urban landscape as well as a selection of the photographs taken for Francis Bacon to work from; from Apr 12 to Jul 14
OPERA
London Coliseum
Tel: 44-171-8360111
● Don Pasquale: by Donizetti. Conducted by Michael Lloyd and performed by the English National Opera. Soloists include Donald Adams, Mary Plazas and Neill Archer; 7.30pm; Apr 11
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Arabella: by R. Strauss. Conducted by Mark Elder and performed by The Royal Opera. Soloists include Amanda Roocroft, Christiane Oelze, Lillian Watson and Gillian Knight; 7pm; Apr 11, 16

■ MARSEILLE

OPERA
Opéra de Marseille
Tel: 33-91 55 00 70
● Parsifal: by Wagner. Conducted by Jean-Claude Malgoire and performed by the Opéra de Marseille. Soloists include Siukola, Balslev, Hölle and Brendel; 7.30pm; Apr 11, 14 (2.30pm), 17

■ MELBOURNE

OPERA
Victorian Arts Centre
Tel: 61-3-6848193
● Le Nozze de Figaro: by Mozart. Conducted by Myer Fredman and performed by The Australian Opera. Soloists include Fiona Maconaghie, Amanda Thane, Suzanne Johnston and Stephen Bennett; 1pm; Apr 11, 13

■ MILAN

OPERA
Teatro alla Scala di Milano
Tel: 39-2-72003744
● Les Troyens: by Berlioz. Conducted by Colin Davis and performed by the Opera Teatro alla Scala. Soloists include Vladimir Bogachov, Giorgio Giuseppini and Markella Hatziano; 6pm; Apr 12, 16

■ MUNICH

OPERA
Nationaltheater
Tel: 49-89-21851920
● Parsifal: by Wagner. Conducted by Peter Schneider and performed by the Bayerische Staatsoper. Soloists include Karl Helm, Kurt Moll, Marilyn Schmiege and John Keyes; 5pm; Apr 11

■ NEW YORK

CONCERT
Alice Tully Hall
Tel: 1-212-875-5050
● The Chamber Music Society of Lincoln Center: with conductor David Shifrin perform works by Weber, Kenneth Frazelle, Piazolla and Dvorák; 8pm; Apr 12, 14 (5pm)
OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● The Voyage: by Glass. Conducted by Dennis Russell Davies and performed by the Metropolitan Opera. Soloists include Victoria Litherland, Victoria Livengood and Richard Fracker; 8pm; Apr 11
New York State Theater
Tel: 1-212-875-5570
● The Dreyfus Affair: the American premiere of this opera by George Whyte, with music by Jost Meier. Conducted by Robert Duerr and performed by the New York City Opera. Soloists include John Daniecki, Joseph Corteggiano, Stephen Powell, Nina Warren, Melanie Sonnenberg and Mark Delavan; 8pm; Apr 11, 17

■ PARIS

CONCERT
Salle Gaveau Tel: 33-1 49 53 05 07
● Jean-Francois Heisser, Xavier Phillips and Hanna Schaer: the pianist, cellist and mezzo-soprano perform works by Dukas, Gagneux, Magnard, Bizet and Chausson; 8.30pm; Apr 11
DANCE
Théâtre de la Ville
Tel: 33-1 42 74 22 77
● Quando la terra si rimette in movimento: a choreography by Jan Fabre to music by Eugeniusz Knapik, performed by Het Nationale Ballet; 8.30pm; Apr 11, 12, 13
THEATRE
Cité de la Musique
Tel: 33-1 44 84 45 00
● Le trésor de la nuit: by Alain Féron. Puppet opera with libretto by Claude-Henry du Bord, performed by puppeteer Hélène le Roux; Tue – Thu, Sun 3pm, Tue Apr 11, Fri 8pm, Sat 4.30pm; from Apr 11 to Apr 28

■ SAN FRANCISCO

CONCERT
Louise M. Davies Symphony Hall
Tel: 1-415-864-6000
● San Francisco Symphony: with conductor Yakov Kreizberg and pianist Andrei Gavrilov perform Franck's Les Djinns, Prokofiev's Piano Concerto No.1 in D flat major, Op.101 and Shostakovich's Symphony No.5 in D minor, Op.47; 8pm; Apr 10, 11 (2pm), 12, 13

■ STOCKHOLM

OPERA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Madama Butterfly: by Puccini. Conducted by Niklas Willén and performed by the Royal Swedish Opera. Soloists include Noriko Ogawa, Inger Blom, Carina Morling and Ingus Petersons; 7.30pm; Apr 11

■ TURIN

OPERA
Teatro Regio Tel: 39-11-88151
● I Puritani: by Bellini. Conducted by Bruno Campanella and performed by the Orchestra e Coro del Teatro Regio. Soloists include Roberto Servile, Enrico Turco, Claudia Nicole Bandera and Iorio Zennaro; 8.30pm; Apr 11, 14 (3pm), 16 (3pm), 17, 18, 19

■ ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● Tonhalle-Orchester: with conductor Kurt Sanderling perform Mozart's Symphony No.25 in G minor, K183 and Schubert's Symphony No.9 in C major, D944; 7.30pm; Apr 11

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Edward Mortimer

Old game, new rules

With all-party agreement looking unlikely, fresh thinking is needed to break the stalemate in the Ulster peace process

How depressing it must be for most people in Northern Ireland to know that once again the image of their sterile, unchanging, polarised politics is being flashed around the world. Members of one community assert their "right" to march through a particular part of Belfast. The inhabitants (or their self-appointed spokesmen) promptly counter-assert their "right" to keep the marchers out.

The marching game is like a microcosm of Ulster politics. All the main Northern Ireland parties, except the middle-class, middle-of-the road Alliance party, derive their support exclusively from one of the two communities. They seek to maximise that support by showing themselves the most effective defender of that community against the other. It is the ultimate zero-sum game.

Moreover, since the imposition of direct rule from Westminster a quarter of a century ago, Ulster politicians have had no obligation to do anything except make demands and formulate protests. As a recent study* of their performance at Westminster points out, they are not expected to resolve problems "through accommodation and/or resource reallocation; rather the assumption is that a solution will be imposed by a local authority, the Northern Ireland Office, parliament, or perhaps an Anglo-Irish agreement".

Nor have the province's communities had to face the rigorous control of public spending applied in the rest of the UK by Margaret Thatcher when she was prime minister. In the mid-1980s I remember asking a junior minister, recently transferred from the Northern Ireland Office to a home department, whether he was glad to be back. "Well, there are things I miss," he replied. "For instance here, when you pull the lever marked 'money', nothing comes out."

Small wonder, then, that ministers have found it so difficult to get Northern Ireland politicians to agree a settlement. These politicians start from incompatible premises (Ulster is either Irish or British), and have no incentive to compromise.

Last week Sir Patrick Mayhew, the Northern Ireland secretary, said that the prospects of success for all-party talks, now due to start on June 10, would be "immeasurably improved" by the presence of Sinn Féin, the political wing of the IRA. Did he simply mean that the IRA would be less likely to revert to violence while its political arm was involved in talks? Or did he mean that other parties would be more willing to reach an agreement if they knew Sinn Féin was also committed to it? That might be true of the Social Democratic and Labour party, the non-violent nationalists, but not so obviously of the unionist parties.

Indeed Sinn Féin's presence could well have the opposite effect on them, even if we assume that the IRA ceasefire has by then been restored. If it has not – and so far there is no sign that it will be – both the Irish and the UK governments rule out Sinn Féin's participation. That in Sir Patrick's view would presumably make the prospects "immeasurably" worse. Either way they do not look good.

Is there any other solution? Perhaps not. It is an old English mistake to assume that Irish questions must have an answer. But at least some people in Belfast are trying to think of more creative approaches.

The title of a report from Democratic Dialogue, the Belfast-based think-tank, "Reconstituting Politics"**, certainly gives the right definition of the problem. It is, as Robin Wilson, the report's main author, points out, far from unique to Northern Ireland. All over the democratic world citizens are expressing their alienation and disgust at the choices offered them by mainstream electoral politics.

In other countries it is very difficult to do anything about this because mainstream electoral politics is where power lies. But in Northern Ireland Westminster has already taken power away from the local parties. What Wilson suggests, in essence, is that instead of looking for a solution which would give power back, Westminster, helped by Dublin, should use the power it has to create new political realities which in turn would probably produce new parties.

Wilson's starting point is a referendum offering not two choices but three: progress towards Irish unity, fuller integration with the UK, and "a shared, pluralist Northern Ireland linked to both the UK and the republic". Opinion polls suggest that this third option would win – especially if it were a "preferendum" allowing people to state their second as well as first choice, but probably even in a first-past-the-post race. In any case, the referendum campaign would bring new political forces into the arena.

Wilson's next step would be to hold "a single-constituency, Northern Ireland-wide election for an interim administration of, say, eight members", using an electoral system which made it necessary for successful candidates to demonstrate substantial support in both communities. This, he suggests, "would in itself encourage wholly new candidates, not tarred with the brush of the old politics". It "would be attractive to public figures in civil society who would relish the public service of taking part in an inter-community coalition", including people who (unlike the present politicians) have "real experience of administering substantial modern organisations".

> Politicians in Northern Ireland start from incompatible premises (Ulster is either Irish or British), and have no incentive to compromise

Such an interim government, Wilson points out, would be quite different from the 1974 power-sharing executive, formed by the old parties on the basis of their strengths in an elected assembly. In his blueprint assembly elections would come later, with the administration already in place so that its supporters could campaign as a single list or coalition, with a common platform. He would also incorporate key international conventions (notably those on minority rights) into a Northern Ireland constitution.

The essence of such an approach is that it would accept and build on Northern Ireland's special characteristics, including its links to two separate nation states within the EU. It would clearly not satisfy people who are determined to assert the province's ultimate destiny as an integral part of either one of them, and therefore it would encounter vigorous resistance, almost certainly including violence. But it might offer a positive vision which those in both communities who are against violence (the overwhelming majority) could share. And that in turn would make it possible to deal more firmly with those who directly instigate violence, on both sides of the border.

* *A breed apart? Northern Ireland's MPs at Westminster, by William A. Hazelton. Journal of Legislative Studies, vol 1, no 4, winter 1995.*

** *Reconstituting Politics. Democratic Dialogue, 5 University Street, Belfast BT7 1FY. £7.50 (individuals), £10 (institutions).*

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Equality is sacrificed in US job creation

From Prof Christopher Pissarides.

Sir, Most of the debate on job creation in the US and the European Union misses the point. The evidence that the Americans brought to Lille about the high quality of their job creation which, according to your correspondent, "surprised European counterparts", is simply irrelevant in the whole debate. The US creates more good quality jobs than Europe does because it has to replace the large number of good quality jobs that it destroys, a fact rarely mentioned in the debate, and because it has to provide more jobs for its growing workforce.

What the US has done differently from Europe is not in high-quality job creation but in checking the rise in unemployment. It has achieved this by tolerating more inequality at the workplace and by creating low-productivity jobs that European employers have shied away from. When you shop in an American supermarket, one and sometimes two packers put your shopping in bags; in Europe we have to do it on our own. When you drive into an American petrol station, someone comes to clean your windscreen; in Europe, we get our own hands dirty. The European perception that the US has capped unemployment by creating inequality and low job security is closer to the truth than the US delegation in Lille wanted their European counterparts to believe.

Christopher Pissarides,
professor of economics,
London School of Economics,
Houghton Street,
London WC2A 2AE, UK

Widen BSE tests before slaughter

From Mr Graham Elliott.

Sir, I feel it important to outline the Italian point of view concerning mad cow disease in Britain. It may also be representative of the general European point of view.

In Italy, the media have unfortunately suggested that the problem is contained within the UK alone, with strong suggestions that it could not happen in Italy. However, this is now causing the Italian public also to question all meat and dairy products, regardless of their country of origin.

Questionable cattle foodstuffs are not necessarily of British origin, and the same foodstuffs may be used worldwide. To label the problem as only British, without research or statistics, suggests an anti-marketing ploy.

To slaughter unnecessarily so many cattle in the UK alone would clearly ruin the once-efficient British meat and dairy industries.

It is also necessary to point out that Italy does not always follow European rulings to the letter, and most probably neither do other EU members.

Therefore, before any mass slaughter begins, I feel that Britain should first of all insist on tests across Europe, and on imported foodstuffs. Maybe the worst offenders are those shouting prosecutions.

Graham Elliott,
Via Fratelli Rosselli 9,
10015 Ivrea (TO),
Italy

No democracy without European identity

From Mr Gerald Roberts.

Sir, Mr Vernon Bogdanor (Letters, April 3) is only the latest of the proponents of a European state to advance the fallacy that the European parliament can fill a perceived "democratic deficit". It cannot.

The European parliament is not a democratic body because a democracy requires a demos and there is no European demos. Only if voters thought of themselves as Europeans first and French/German/British etc second could a European electorate be said to exist; but they do not. A Eurobarometer poll last year showed that, even after "don't knows" were excluded, in each of the members of the EU fewer than 30 per cent of respondents expected in the near future to see themselves as either exclusively European or European first. In five member states fewer than 10 per cent saw themselves as only or primarily European.

In claiming democratic legitimacy for the European parliament, Mr Bogdanor is assuming the existence of something, a sense of European identity, which could only be created, if at all, by our long-term habituation to the rule of that very parliament. In the absence of a prevalent sense of European identity, there is nothing democratic about the vital national interests of one member state being overridden by the votes of MEPs from the other 14.

Should Mr Bogdanor and those who think as he does succeed in transforming the European parliament from joke to juggernaut he will find that those who believe without apology in the nation state will become increasingly vociferous in denying the European parliament's democratic legitimacy. The UK Independence party will be their mouthpiece and in 1999 will seek to ensure that a majority of UK Euro-constituencies refuse to send MEPs to Strasbourg.

Gerald Roberts,
national committee member,
UK Independence party,
80 Regent Street,
London W1R 7HS, UK

Tax system transparent

From Mr Var Huoth.

Sir, Re your article "Power play threatens to dethrone democracy" (March 27), I believe that the writer has grossly exaggerated the tensions between the two leading coalition parties, Funcinpec and CPP. There are, of course, some differences between them but this is normal in a country which is following a democratic system and political pluralism. Both first prime minister Norodom Ranariddh and second prime minister Hun Sen have already publicly ruled out allowing whatever differences exist to develop into a crisis which could threaten the coalition government. They have reaffirmed their willingness to continue to work with each other to settle any differences in favour of national security, national reconciliation and national development.

Your writer quoted Sam Rainsy as saying: "Instead of the government collecting $100 in taxes, companies are giving $50 to Hun Sen." This allegation is unfounded. The tax collecting system in Cambodia is quite transparent. Those who evade paying taxes end up paying penalties.

The fact is an embittered opponent of the government expounded a defamatory and unproven allegation against the second prime minister. Such an allegation should have been verified before publishing for the sake of balance and accuracy.

Var Huoth,
Royal Embassy of Cambodia,
Washington DC, US

Rule change is not fair

From Mr Gregory Garramone.

Sir, In your story "European Court 'needs reform'" (April 3), it is stated that the UK Foreign Office "would like to see certain changes [in the European Court of Human Rights] to promote fairness".

It is, in fact, the consideration of basic human rights by the current government of the UK that is in extreme need of reform. The Foreign Office must know that it is not fair to change the rules simply because one is found to have broken them.

Gregory Garramone,
Global Affairs Association,
893 Linwood Avenue,
St Paul,
Minnesota 55105,
US

A deeper transformation

Western prejudices should be re-examined as Japan undergoes rapid change, says Lionel Barber

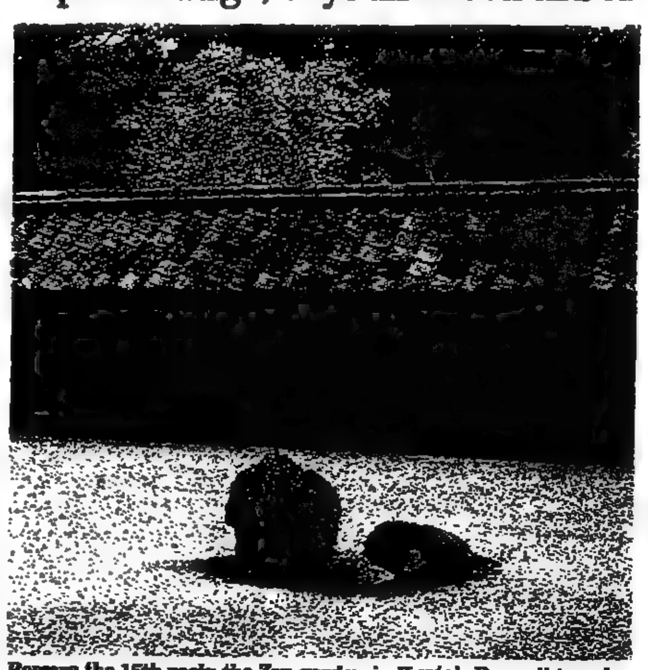
The rectangular Zen garden in Kyoto's Ryoanji temple offers a warning to those who venture to make snap judgments on modern Japan. Fifteen rocks lie strewn across the gravel but, whatever the angle, the visitor can never see more than 14.

Yet even a partial view of Japanese society points to far-reaching political and economic change. The Japanese finance ministry has locked its main entrance for the first time since the second world war – a response to daily street protests about the state bail-out of the Jusen housing loan companies; cut-price Chinese suits are on sale for £16 in Tokyo stores; the Japanese current account for January showed the first deficit for five years.

These symptoms of upheaval are unsettling for a population accustomed to strong government and social stability. But they suggest that it is time to re-examine some of the popular prejudices about Japan which hold sway in the US and Europe, where the image of Japan is still one of a fortress economy run by master bureaucrats, an impermeable society in which the producer comes first and the consumer a distant second.

The reality is that Japan is becoming a "normal" country. Just as Americans and Europeans suffer from job insecurity and economic dislocation, so the Japanese are struggling to adapt to global competition. Unemployment is edging upwards. The population is ageing. For the first time since 1945, the Japanese public is having doubts about the prospects for growth. The fashionable term is: stagnant prosperity.

Some of this pessimism is exaggerated, the legacy of nearly five years of zero growth following the collapse of the bubble economy. The Jusen affair is reminiscent of the US Savings and Loan crisis in the late 1980s. The difference is that Tokyo bankers were not supposed to be as reckless or as credulous as their Texan counterparts. They thought that land prices in space-squeezed Japan would never stop climbing. The crash has been a searing experience.



Beware the 15th rock: the Zen garden in Kyoto's Ryoanji temple

Japanese business executives are discovering, fortunately, that there is life after the bubble. Only it is very different. Take the phenomenon of "price destruction". This is the wonderfully negative expression for a development which most westerners would regard as overwhelmingly positive: the collapse of domestic prices, largely as a result of growth in imports.

From toys to textiles, cars to computer chips, price destruction is radically reshaping the economy. In the shopping centres of Tokyo and Kyoto, the price tags underline that retail competition is slowly taking hold. Consumers, particularly the younger generation, are voting with their wallets.

None of this means an end to the Japanese love affair with luxury brands. One top bureaucrat says he will always covet a Burberry coat but, with a loud laugh, he concedes his daughter has started ordering casual clothes by fax from a US mail-order company.

Japan's industrial giants are also changing the habits of a life-time. Fujitsu, the computer manufacturer which is moving fast into multimedia, has trimmed 10 per cent of its workforce through early retirement and curbing recruitment, and moved 20 per cent from cost to profit centres.

None of this matches the scale of upheaval at rival IBM, but in Japanese terms it is a revolution. Mike Beirne, of Fujitsu, predicts that the next recession will force management to act even more decisively, speeding up restructuring and relocation even if this means having a showdown with the unions.

The scale of change has accelerated on the back of an appreciating yen despite the recent correction against the dollar. Yen power has become a threat to jobs as the cost of making goods in Japan rises further above the international average, forcing companies to switch production overseas, particularly to east Asia.

This shift is changing the balance of imports: the share of manufactured goods has risen from 20 per cent to 60 per cent over the past 10 years, according to the Ministry of Finance.

Ministry officials believe that outsourcing will continue even if the yen weakens further. The migration of manufacturing has prompted a grim joke. Question: who is the biggest exporter to Japan? Answer: Japan.

Mr Ichiro Uchida, a senior adviser to Mitsui Marine and former top bureaucrat, says the shift offshore is disrupting traditional distribution arrangements in Japan. He singles out the *keiretsu*, the networks of companies which the US often brands as the biggest single barrier to foreign suppliers because of their exclusive relationship with each other.

He likens the *keiretsu* to a food chain which is under increasing strain. Small businesses, tired of waiting to be fed with orders, have moved overseas where the costs are lower and the client base is wider.

In other words, the suppliers of spare parts for fridges or television sets are now supplying other big Japanese companies, but at the cost of companies dying elsewhere in the food chain. Traditional loyalties are breaking up; companies are going bankrupt; competition is creating winners and losers.

What does all this mean for Europe and the US? Only a fool in Brussels or Washington would imagine that the Japanese economy is slipping into the second division or that a strong yen has irreversibly damaged its competitive edge. One word captures Japan: formidable.

Yet only the most blinkered observer can miss the deeper transformation underway in the economy. The task for western policymakers ought to be to reinforce these pressures for change, while stopping short of the kind of intrusive bilateral bullying occasionally favoured by the Americans.

The second lesson is: do not expect too much, too soon from the new Japan. So much has happened in the past five years that the Japanese are still catching their breath. They want to change their way. Beware, in other words, the 15th rock.

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FINANCIAL TIMES

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Wednesday April 10 1996

Fears of a US resurrection

A second batch of very healthy US employment data for March sent bond and equity markets tumbling over the Easter weekend. Investors had been expecting the world's largest economy to rise again over the course of 1996 but not, apparently, with such unseemly haste.

The markets were calmer yesterday, but the fears that triggered the earlier sell-off are likely to remain at the front of investors' minds for a while yet. Unexpectedly strong jobs data, say the pessimists, spell trouble because they threaten equally unexpected rises in inflation and short-term interest rates.

Are these anxieties justified? It has been clear for some time that the US economy is recovering from last year's pause. As growth resumes, it is perfectly possible that price pressures will gather steam, and that short-term interest rates will be raised in response. So far, so old hat. The question is whether the recent jobs data mean that prices and interest rates are set to rise further, and sooner than most had expected. The answer to that question is probably no.

The fact that 140,000 jobs were created in the US in March, following a revised February increase of 624,000, tells us very little about either the pace or the sustainability of recent growth, for several reasons. First, the jobs market is still getting over the effects of the government shutdown at the start of the year and a lengthy spell of very poor weather.

Second, the monthly payroll data are but one of many useful economic indicators, albeit the most avidly watched by bondholders. The March data mean that employment has supposedly risen by over 200,000 per month, on average, during the first quarter of 1996, nearly double the average 120,000 monthly increase last year. But recent movements in a wide range of other data – including retail sales, and housing start-ups – provide little indication of a dramatic pick-up in activity.

Finally, rapid job growth will not necessarily spell a sharp upturn in wage and price pressures. Several states have lived with roughly 4 per cent unemployment rates since 1994, with little effect on unit labour costs. This suggests that the new jobs might be absorbed with few ill-effects.

It would be harder to remain sanguine if the same rapid pace of job growth were to be maintained right through to the summer. Equally, a string of disappointing producer and consumer price data, starting with the March figures due later this week, might start Mr Greenspan thinking about an interest rate rise later this year, instead of simply keeping rates where they are.

Remember, though, that conditions today bear little resemblance to 1994, when the economy was growing well above trend and short-term interest rates were already rising. Bondholders who were caught out in that year's painful bear market need to be wary of fighting the last war.

A map for trade

Since the World Trade Organisation was created at the start of last year, much attention has been devoted to getting its new machinery up and running, tightening institutional nuts and bolts and polishing the bodywork. Now the priority should be to get the WTO on the road and travelling towards a clear destination. That, however, will require a new and better route map.

The role of trade policy in furthering global economic integration is no longer confined to dismantling barriers at frontiers. Increasingly, the WTO is being called on to tackle domestic policy issues in areas such as services, competition rules and the treatment of foreign investment. It must do so while coping with other important challenges. One is the admission of new members, such as Russia and China. Another is the spread of regional economic arrangements, a trend with far-reaching implications for the world trade system.

An effective response will require a combination of analytical skills, intellectual imagination and an ability to set clear strategic priorities for policy. The US supplied these when it was undisputed leader of the multilateral system. It is far less able, or willing, to do so today. Nor are the European Union or Japan well placed to fill the vacuum. Neither has shown much inclination for creative thinking about issues which go beyond their immediate economic interests. Where, then, will new ideas come from? The logical source is the WTO itself. However, it has been denied the necessary means by member governments' refusal to grant it even a modest capacity to perform its own research. Sheer stinginess is one reason. Another is a rigid insistence on limiting the WTO secretariat to servicing negotiations initiated by the organisation's members.

Recently, suggestions for finding a way out of this impasse have started to surface. One is that the WTO should establish an eminent persons' group, composed of independent advisers charged with proposing policy initiatives. Another is that a few governments should jointly fund the creation of a research unit, to be supported by an advisory group of economists of international standing. Though formally independent of the WTO, these would report to the WTO director-general.

The second set of ideas is to be preferred. It would be less beholden than an EPG to governments, and therefore more likely to generate a bold policy agenda. It would also reinforce, rather than risk undercutting, the role of the WTO director-general. Promoting the multilateral system is his prime responsibility. What he needs are the resources and intellectual firepower to enable him to do so. Surely enough governments believe the job is important to ensure he has the tools to do it.

Challenge funds

The government is set to extend the principle of "challenge funding" from the urban regeneration budget to local authority capital spending more broadly. This raises issues of constitutional principle which should be debated before such a step is taken.

Challenge funding requires local authorities to engage in a national beauty contest, with money going to the most attractive bidders rather than more equally across the board as before. Few deny that the concept has proved useful in urban regeneration, as developed through the City Challenge and Single Regeneration Budget initiatives. By allocating state funding competitively, and tying it to success in innovation and in establishing effective public-private partnerships, it has concentrated minds wonderfully. In the process it appears to have yielded greater value for public spending than has been secured through "do as you want" blanket allocations, thinly spread.

Ministers plan to extend the concept to other parts of local capital spending. Their reasoning is simple. If it has worked once, it can work again. In the first year the proportion of total local capital spending reserved for "challenge" awards will be small, but some ministers wish to see it rise rapidly over time.

Local councils are worried that an extension of challenge funding will produce undesirable distortions in local spending. They argue that the concept was fine for glamorous city-centre regeneration initiatives, but could well divert much-needed cash from run-of-the-mill but vital local infrastructure projects like road repairs and school refurbishment.

This may indeed happen. Yet there are wider constitutional issues at stake. First, challenge funding necessitates further centralisation. At present central government decides on capital spending totals, but leaves each council some latitude in spending its allocation. If the "challenge" concept is extended to all local capital spending, in effect central government will determine not just its level but its detailed composition.

This leads to a second issue – the criteria for determining "winners". By its nature, challenge funding allows wide discretion to government in judging beauty contests. Local government in Britain is highly politicised. The greater the discretion given to ministers, the greater the scope for them to engage in gerrymandering. This has not been a notable problem so far, because of the acute weakness of the Conservatives in local government. But it could soon become one – even if, as envisaged, the "challenge" competitions take place regionally.

Councils should adopt the challenge concept with enthusiasm as a means of determining their own capital spending priorities. But it should not become yet another device for centralising power.

A drive up Quality Street

Carmakers are returning to UK components as manufacturers learn from their associations with overseas groups, says John Griffiths

For years the UK motor components industry has been mocked for the poor quality of its products compared to those of Japan. In some cases, defects have been 100 times more frequent in British components than in their best Japanese equivalents.

Today, however, it is the directors of the UK components companies who are starting to smile. Quality has improved – often with the help of Japanese car plants in the UK - exports have increased, and domestic business has been boosted by rising vehicle production.

"Things have changed greatly," says Mr Hans Tauscher, managing director of Mercedes-Benz's UK operations. "The British industry is now showing itself well able to deliver the goods."

With the long postwar decline in UK vehicle manufacturing having been thrown sharply into reverse, carmakers are moving towards record levels of output and UK components groups, as well as foreign-owned suppliers, are enjoying the benefits of higher turnover.

After falling to 880,000 units in 1982, car output had recovered to 1.2m units by 1991, and to 1.5m last year. By 2001 the UK-based industry will have the capacity to produce 2.5m cars a year, forecasts Professor Garel Rhys, motor industry economist at Cardiff Business School. "It will compete with the French to be Europe's second largest industry behind Germany," he says.

Much of the higher demand is being accounted for by Nissan, Toyota and Honda, which between them are likely to be producing about 700,000 cars in the UK by the turn of the century. Their combined output last year was just under 400,000 units. Each has about 200 Europe-based suppliers, most of them in the UK.

If they were wholly dependent on UK assembly lines, the component-makers would have little reason to cheer; UK car output this year will still account for only about 4 per cent of total world car production. But European vehicle-makers which once shunned UK-produced components have started to import from the UK. They are attracted not just by low labour costs and the relative weakness of sterling. They also feel that British suppliers have learnt important lessons about quality and productivity from their close association with Japanese carmakers' factories in the UK.

Collectively Fiat, BMW, Renault, Mercedes and Volvo spent more than £1.2bn with UK-based suppliers for their own production lines last year – more than double their annual spend at the end of the 1980s. German manufacturers in particular, saddled with high costs at home, say their UK spending will continue to grow substantially in coming years.

BMW, which bought Rover two years ago, will seek to reduce costs through joint purchases of components for the the two brands. This might appear to favour BMW's traditional German suppliers and threaten the UK companies making parts for Rover – which, with annual purchases of about £3bn, is the biggest spender in the UK components sector.

But Mr Bernd Pischetsrieder, BMW chairman, has increasingly made clear that BMW and Rover must both be global companies and source accordingly. UK suppliers could yet find themselves supplanting German counterparts at Munich.

It is in the UK, nevertheless, that immediate prospects are brightest. In the past few weeks Ford has declared its intention to invest a further £2.6bn in its UK vehicle operations up to the end of the decade. Rover plans to match Ford's investment levels pound for pound, underlining BMW's commitment to its UK subsidiary; Rover is investing at double the rate it achieved under British Aerospace, its previous owner.

Add £750m of investment planned by General Motors' Vauxhall subsidiary, Peugeot's proposal to introduce a second model on its Coventry assembly lines, and the further expansion expected at the factories of the Japanese companies Nissan, Toyota and Honda, and the reasons for the components industry's optimism become more apparent.

The UK companies recognise that there are still quality and productivity gaps between themselves and leading world-class Japanese rivals, many major north American and even some continental European groups.

There is also a problem of size: even the biggest UK-owned groups such as Lucas Industries cannot match the economies of scale of General Motors' Delphi subsidiary.

The gaps have been highlighted in studies by Cardiff Business School, Andersen Consulting and Cambridge University comparing Japanese suppliers with their international rivals. They found that productivity in most UK components companies was less than half that of world-class Japanese suppliers, process controls were much poorer and capacity utilisation much lower. They also found inefficiencies in the component-makers' own supply chains. Product defect rates were measurable in parts per 10,000 or less compared with parts per million for the best Japanese suppliers.

But they also concluded that many European and north American companies were not much better. And they found that UK companies were improving.

Today the heads of Japanese car plants in the UK say their highest-performing UK suppliers are moving much closer to world-class standards. Unipart, for example, which is a supplier to both Toyota and to Rover's former partner Honda, is now classified by both as competitive with their counterpart suppliers inside Japan. Mr John Neill, Unipart's chief executive, modelled Unipart's Premier Exhausts and AES subsidiaries closely on the working methods and factory organisation of the two carmakers' Japanese suppliers. Unipart was the only UK components group to match Japanese quality – though not productivity – in Andersen's "benchmarking" exercises.

Mr Ian Gibson, chief executive of Nissan Motor Manufacturing UK, says that of nearly 200 UK-based component manufacturers supplying the Sunderland plant, only about a dozen have been replaced for under-performance as Nissan prepares to build the replacement for the Primera model.

"The benchmarking exercises have painted too gloomy a picture," he says. "We have had to send engineering teams into the factories of some of our suppliers to help them along. But many of them are getting much closer to Japanese standards." The Japanese carmakers are increasingly impressed by the flexibility of UK work forces and their willingness learn best-practice methods, he adds.

It is difficult to overstate the importance of the upturn in vehicle-making – and of the knock-on effect for the supply industry – for UK manufacturing as a whole. The UK component sector comprises an estimated 2,000 companies of all shapes and sizes. Together with the car and truckmakers, they employ 850,000 people, generate more than 10 per cent of UK exports and accounts for 5 per cent of gross national product, according to Department of Trade and Industry estimates.

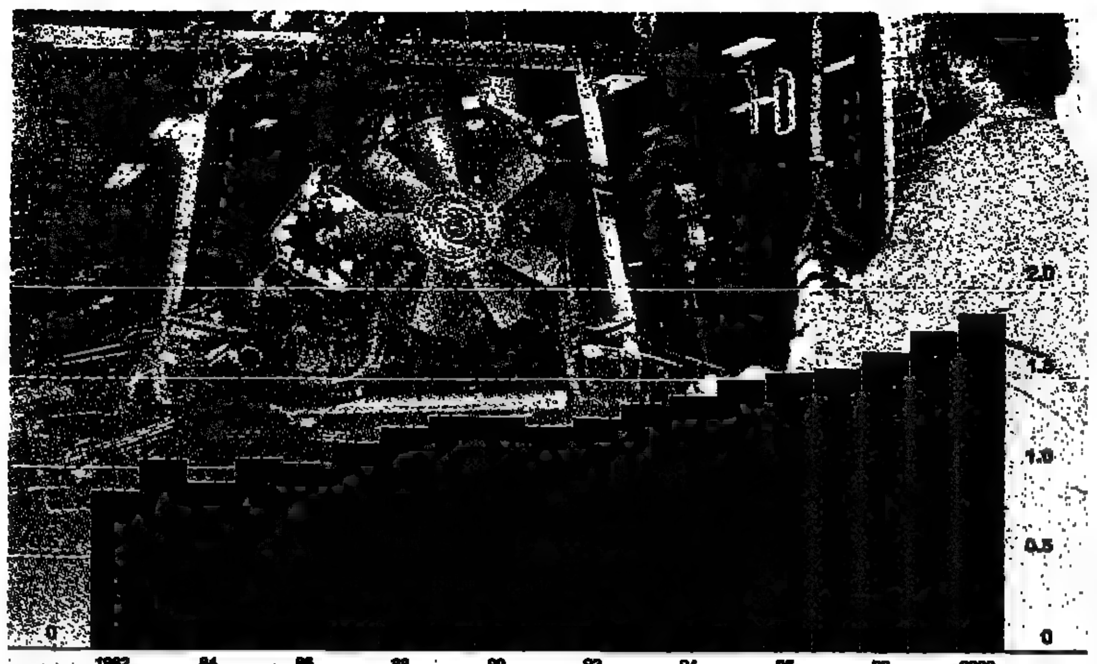
The component manufacturers, furthermore, are playing a bigger role. Carmakers increasingly see themselves as assemblers of ever more complex component systems – such as complete dashboard or seating systems – supplied by component groups with the technical and financial resources to design and develop the systems themselves. The combined turnover of the top 100 UK suppliers is now in excess of £20bn, and much of their business is in exports.

Only a handful of UK companies, however, are likely to merit a place among the 20 or 30 global systems suppliers into which the industry is likely to coalesce – according to Mr George Simpson, chief executive of Lucas Industries – some time early in the next century.

Most others will seek survival in the evolving second and third tiers of the components business. They will supply not vehicle manufacturers themselves, but the first-tier elite.

Foreign control of the country's components industry is also growing. Fewer than half of the UK's top 100 components companies are domestically owned. But UK companies such as GKN and Lucas are investing heavily in Germany, the US and elsewhere as part of the motor industry's overall globalisation process – just as Japanese components suppliers are following Japan's motor manufacturers and reducing costs by moving operations to overseas markets such as the UK.

"Increasingly the UK component sector can deploy competitive quality, costs, delivery, development and management," says Prof Rhys of Cardiff Business School. With car production expected to rise to 2.5m a year by 2005, "it becomes apparent that the UK can become a very big centre of vehicle component production indeed".



Source: SMMT

Top 10 UK components suppliers by turnover

	£m	Year
Lucas Industries (automotive)	2,209.7	1995
BTR (transportation)	2,188.0	1994
GKN (automotive)	1,852.0	1994
T&N (automotive)	1,355.2	1994
Pilkington (transportation)	1,095	1995
Unipart	774.0	1994
Bundy International	630.0	1994
British Steel Eng Steels	590.8	1995
Michelin Tyre	557.8	1994
Perkins	449.5	1994

Source: EIU

Vehicle manufacturers' automotive material purchases in the UK, 1994

	£m
Rover	2,800
Ford UK	2,600
GM	900
Nissan	700
Jaguar	550
Honda	500
VW	400
Ford Europe	400
Toyota	400
Fiat	200
BMW	160
Renault	150
Mercedes-Benz	120
Volvo	120
PSA	70

Source: Centre for Automotive Industry Research, Cardiff Business School

Top 10 auto component companies by turnover (excluding non-automotive business)

	FFr m		DM m		Yen m		$m
Valeo	16,100	Robert Bosch	19,600	Nippondenso	1,427,000	Delphi (GM)	24,418
Bertrand Faure	9,750	Thyssen	8,750	Akin Seiki	786,000	Ford ACG	8,700
ECIA	6,910	Continental	6,395	Zexel	260,000	Delco Electronics	5,200
Sommer Allibert	5,450	Mannesmann	5,423	Calsonic	242,000	TRW	4,665
Sylea	3,550	ZF	5,050	Kolto Manuf.	233,000	ITT Automotive	4,300
Plastic Omnium	3,080	Krupp-Hoesch	[illegible]	Unisia Jecs	228,000	Dana Corporation	4,157
Valiond	2,490	Siemens	[illegible]	NHK Spring	219,000	Inland Steel	4,000
Raydel	1,670	ITT	[illegible]	Tokai Rika	191,000	DuPont	3,200
MGI Coutier	1,460	Hella	2,216	NOK	186,000	Lear Seating	3,147
Montupet	1,180	Mahle	2,111	Press Kogyo	172,000	Johnson Controls	3,018

Source: Bowlet Associates · Source: Nippondenso · Source: Automotive News

· O B S E R V E R ·

It wasn't built in a day

■ For the earnest suits at Mediobanca, the Milan-based merchant bank, today is just another working day. But surely someone within its grand portals will be cracking a bottle of frascati? After all, it's not often you have a 50th birthday.

The Italian press has marked the occasion by unearthing black-and-white photographs of the bank's early days, and unpublished letters to Enrico Cuccia – Mediobanca's discreet founder and now honorary chairman.

Perhaps the bank's own low-key approach to its half-century is prompted by a wish not to draw attention to the question of the next 50 years, many of which must inevitably be spent without Cuccia, now 88. It was Cuccia who built Mediobanca's network of personal and financial ties with most of Italy's business establishment. He is still Mediobanca's guiding light, and vets all the bank's most important deals.

But day-to-day operations are entrusted to a select group of senior staff, including Vincenzo Maranghi, the 59-year-old chief executive, and three younger executives, Gerardo Braggiotti, Francesco Molone and Maurizio Romiti.

At the moment, Romiti, 46, responsible for mergers and acquisitions, is probably the best known of the younger trio, if only because he coordinated last year's abortive attempt to merge the two Italian holding companies Gemina and Ferruzzi Finanziaria. Outsiders tore into that plan as a typical example of opaque Mediobanca dealmaking; internal criticism may have been muted by the fact that Maurizio's dad, Cesare, was chief executive – now chairman – of Fiat, Mediobanca's most powerful ally.

But although Romiti has clout, it's a long step to inheriting the mantle of Cuccia – assuming it's ever made available.

Slow reactor

■ Time's winged chariot and all that jazz. It hardly seems a decade since Chernobyl's fourth reactor exploded, but Ukraine's Chernobyl public relations machinery is happy to remind us.

Chernobyl Interinform, a remarkably efficient government operation, has recently done brisk business ferrying the media around the plant, charging $125, plus $340 should anyone wish to take pictures. Since January, between three and five media groups have come each day, according to Nikolai Dmitrov, Interinform's deputy director. Many more are expected before April 26, the anniversary.

Dmitrov knows the company line: Chernobyl is the 20th safest nuclear station in the world, he intones, and must not be closed. There are, however, some dissident voices, including Observer's official guide: "As long as I get my electricity, I don't care if they close it." He went on to explain his peers at the plant simply fear losing their jobs; after April 26, business will melt away.

Heavy Metall

■ Observer will be indebted to anyone who can explain what's going on in that normally reserved nation, Germany. The country's largest trade union, IG Metall, has now launched a rap music video in cinemas. The video promotes its "Alliance for Jobs" initiative, which aims to create thousands of jobs and tackle youth unemployment.

"The alliance has a lot to offer for young people but is a tough concept to get across. Rap is clear and does the job," is the explanation offered by Christine Thomas at IG Metall's advertising department.

In case you're unfamiliar with rap music, it's normally littered with expletives and references to guns, gang executions, drugs and prostitution. IG Metall's eschews all that nasty stuff in favour of worthy sentiments about jobs, flats, apprenticeships and chancellor Helmut Kohl, who is backing the union's initiative.

Not sure the lyrics – which movingly refer to Kohl as "Federalhelmut" – will set the Bronx alight.

Red tape slashed

■ Times are hard in Zaire. The government is going to save money by eliminating half the 64 embassies and consulates it maintains around the world, starting with those countries which don't have diplomatic representation in Zaire.

Which might come as a relief to some Zairean diplomats, who are owed at least 30 months in back pay; at least the redundant ones will be able to look for jobs with salaries attached.

Own label brew

■ US oenophiles should be on the watch for what is likely to be an extremely rare bottle of 1993 Mouton Rothschild. Not that it's a particularly exquisite version of a fine French wine – just that the label might become a collector's item.

It seems that the label in question – a painting depicting a naked woman – has offended some American consumers. Baronne Philippine de Rothschild has thus ordered the labels ripped off the 30,000 bottles due for export.

But some are bound to sneak through...

The Financial Times

100 years ago

"Victories" in Cuba

The Spanish Press and people have received very quietly the resolution passed by the United States House of Representatives relative to Cuba. The general impression, which is shared by the Government, is that nothing will come of the jingoism of Congress; at the same time, it is recognised that serious complications are still possible. Pat upon the news of the Yankee demonstration comes the announcement of yet another Spanish "victory" in Cuba. One would like to know how many victories are necessary to quell a revolution. According to their own accounts, the Spaniards have had any number of triumphs, and yet they appear as far off success as ever.

(Cuba gained its independence from Spain in 1899.)

50 years ago

Copper buying from Chile

The United States Government has reached an agreement with Latin American copper producers to purchase approximately 100,000 tons of electrolytic copper at 11⅞ cents a pound at Chilean ports, which is ⅝ of a cent higher than the price paid under the previous contract. The British Government, it is understood, has also completed arrangements to purchase 35,000 tons of copper from the same source.

FINANCIAL TIMES
Wednesday April 10 1996

Beef crisis affects sales of UK farm equipment

By Alison Maitland in London

Europe's beef crisis is hitting sales of tractors and other farm machinery, and dealers in Britain have called on the government for interest-free loans to maintain their cash flow.

For the moment, the problem appears to be confined to the UK, with demand for machinery holding up in the rest of Europe despite a fall in beef sales in the wake of new evidence of a possible link between BSE, or mad cow disease, and CJD, the human brain condition Creutzfeldt-Jakob disease.

"It's definitely noticeably depressed our sales," said Mr Geoffrey Fletcher, a director of Kent-based dealers Drake and Fletcher, yesterday. "I'm aware of two tractor orders being cancelled as a direct result of a loss of confidence by farmers – that's £75,000 worth of business."

Mr Alec McKee, UK managing director of John Deere, the US farm equipment manufacturer, said continental European markets appeared "still reasonably buoyant". Continental branches of John Deere were eager to take up machines not required in Britain, but "we wouldn't want to get rid of them at the moment".

The British Agricultural and Garden Machinery Association has written to the Department of Trade and Industry and the Ministry of Agriculture requesting interest-free loans "to support dealerships in the short-term while there is a freeze on purchases".

Mr Ian Jones, association general manager, said dealers' margins were small on items such as tractors because there were many suppliers and "not a very large market". "You budget for the weather but you don't budget for something as catastrophic as a BSE crisis," he said.

Machine manufacturers report that sales are "on hold".

Mr Chris Evans, economist for the UK Agricultural Engineers Association, said tractor sales were expected to reach 20,000 this year before the crisis. Last year 19,000 tractors were sold – the best level in a decade – as farming confidence recovered strongly.

"It now looks as if it will be down on the 19,000 but nobody really knows," he said.

Sales of grass-cutting and hay baling machines are seasonal and due over the next few weeks. "If this [crisis] goes on for six or seven weeks, the danger is that those sales will be lost for the year," Mr Evans said.

● The National Farmers' Union in Britain said last night it had been assured by Mr Douglas Hogg, UK agriculture minister, that any policy for slaughtering herds affected by BSE would be "very specific and tightly targeted". The British government has to present a slaughter plan to the European Commission by the end of the month.

Farm chemicals, Page 11

Irish salmon under siege in the farms with few friends

By John Murray Brown in Dublin

In the west of the Irish Republic, commercial salmon fishing has attracted its critics. But last night the industry seemed under siege, with guards mounted on several farms off the west coast after the "liberation" of some 250,000 salmon smolts from cages off the Connemara coast.

Released into the wild, the baby fish, farmed by the Mannin Bay Salmon company, are now heading towards the fishing grounds off Greenland.

The attack, which took place late on Good Friday near the small town of Clifden, was initially blamed on local saboteurs and brought to attention a bitter dispute over what is one of the country's fastest growing industries.

At first it was believed the attack might have been the work of drunken vandals, but then Good Friday is the one day in Ireland when the pubs are not open. Police believe that up to six people spent at least four hours cutting the nets under the cover of darkness.

Mr Eamon Gilmore, the Irish marine minister, said the attack amounted to an act of industrial sabotage. "It is an appalling, deliberate action, the equivalent of burning down a factory."

Local opinion is more ambivalent. "It is not vandalism in the ordinary sense," one businessman said.

In a region where tourism revenues are the main source of income, the unsightly salmon cages have won few friends, in spite of official claims that the industry provides about 2,500 jobs.

"There used to be runs of sea trout in the tens of thousands. Now people talk about runs of tens," says Professor Graham Shaw, of Save Our Sea Trout, a political lobby group opposed to commercial fish farming.

The heavy concentration of fish lice which the salmon cages create has had a catastrophic impact on stocks of sea trout, which are more susceptible to the lice than the farmed salmon.

Mr Norman Krandall of the Connemara Clean Waters Association said his organisation recently received some 3,000 petitions from local people opposed to the Mannin Bay company's development. "Even the bed and breakfast owners have become environmental," he said.

Mr Gerard O'Donohue, director of the Mannin Bay company, said: "I don't think this has anything to do with the Save the Sea Trout campaign. This is a new dimension."

Clifden was stunned yesterday. The town, on the westernmost tip of Europe, is normally a quiet resort. "People were stopping us in the street, and offering commiserations, like a death in the family," said Mr Richie Flynn, of the Irish Salmon Growers Association, who visited the site.

Problems hit debt plan for poorest countries

By Robert Chote in London

A joint initiative by the World Bank and International Monetary Fund to tackle the debt of the world's poorest nations has run into difficulties because governments are reluctant to provide as much relief as the bank and IMF have proposed.

The initiative envisages that the "Paris Club" of creditor governments would cut the debt stock and service payments of eligible countries by up to 90 per cent, rather than the 67 per cent in theory now available under the "Naples terms".

But this proposal received a cool reception at Monday's IMF board meeting. "A lot of countries agreed that the Paris Club should do more, but no-one rushed to endorse the figure of 90 per cent," said one official.

Some Paris Club members would prefer to extend the range of debt to which relief is applied rather than increasing the percentage relief.

The qualms of the Paris Club countries may pose problems for international financial institutions. The smaller the financial support from individual lenders in the Paris Club, the greater the resources which the World Bank, the IMF and multilateral development banks would need to contribute in alleviating the burden of the debts owed to them.

A paper prepared for this week's meetings estimated that the initiative would require $7bn-$8bn of debt relief, on top of existing schemes.

If the Paris Club provided 90 per cent relief – and other government and commercial creditors provided at least as much help – then the multilateral institutions would need to find about a third of this money. But the proportion would rise significantly if the Paris Club's contribution fell short.

These costings are based on the assumption that about 20 highly indebted poor countries would be eligible for the scheme. The objective would be to make their debt levels sustainable.

The debt relief initiative faces more difficulties at the IMF than the World Bank, both ideologically and practically. The World Bank has a net income from its lending activities which it could use to help finance its role in the initiative; the IMF does not.

The leading contender to fund the IMF's participation is a proposal to sell a limited amount of its $40bn gold reserves, to invest the proceeds and use some of the income to help this initiative.

But countries such as Germany and France object to gold sales, so IMF staff are trying to find a way to ring-fence the proceeds legally in a special account. They hope this would allay worries that the organisation's financial credibility would be compromised.

THE LEX COLUMN

Swiss solutions

Confirmation that two of Switzerland's banking giants, CS Holding and Union Bank of Switzerland, have discussed a possible merger is at least a sign that the managers of these institutions are concerned about their poor return on capital. It suggests, too, that they may be feeling under increased pressure to act as a result of the acquisition of S.G. Warburg by Swiss Bank Corporation last year.

There would be some logic to such a merger. The Swiss retail market is overbanked, and moves to rationalise it have tended to backfire – as in the case of Credit Suisse's purchase of Swiss Volksbank, which turned out to be saddled with bad property loans. But even in a country not noted for its stringent stand against monopolies and cartels, allowing a single bank to control around 50 per cent of parts of the retail market would surely be viewed as lax. And retail customers would not be the only ones to worry – Swiss corporate borrowers would also have reason to be fearful.

On the investment banking side, too, there could be problems. As the SBC Warburg case shows, merging investment banking operations spills blood. The danger is that it may also result in loss of earnings. There is a substantial overlap in the businesses of CS First Boston, CS Holding's investment banking business, and UBS, even though CSFB is stronger in corporate finance and UBS in broking.

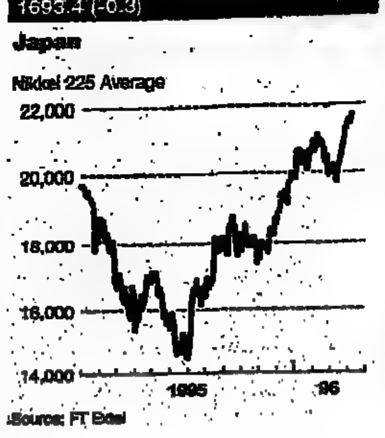
Mergers of banking giants in small European countries are not unheard of – ABN Amro in the Netherlands is one example. But the benefits of a straight merger of almost-equals might not outweigh the pain.

Japanese shares

Japan's stock market is feeling frisky again. Tokyo's Nikkei 225 index has risen 51 per cent since last July. The market has been driven by growing confidence that economic recovery is finally under way. The 3.6 per cent jump in fourth quarter gross domestic product was stronger than expected; and industrial production, housing starts and domestic demand are all picking up. Low interest rates – with the discount rate at 0.5 per cent – are helping to increase consumer confidence. Meanwhile, export-oriented corporate Japan is being boosted by the weakness of the yen, which has lost nearly a third of its value against the dollar over the past year. Much of the buying has come from foreign investors switching money out of the US and Europe where economic recovery is much further advanced.

As a result, valuations look

FT-SE Eurotrack 200: 1693.4 (-0.3)



Source: FT Extel

stretched, with the Nikkei trading on a price/earnings multiple of more than 70 times. But this "overvaluation" relative to western norms has been in place since the early 1970s. More important at the moment is momentum. The Nikkei has twice broken through the 21,500 level in the past few days, while the traditional wave of share sales by banks and life assurers ahead of their March year-end was absorbed without a hiccup this year. Corporate earnings growth should average 25-30 per cent for 1995-96 compared with 10 per cent in the US and UK. And interest rates are likely to stay low because the Bank of Japan wants to see the financial sector regain its health before tightening policy. Japanese stocks still have further to go.

Lloyd's trusts

Lloyd's of London's recovery plans have a conspicuous new supporter: Mr George Soros, the renowned hedge fund manager. His fund's decision to take a 3.6 per cent stake in CLM, a Lloyd's investment trust, has all the hallmarks of a classic Soros punt – on the market's rescue plan going through. As with his famous bet against the pound, the risk of this one going wrong is real but modest: the chances of Lloyd's going down the tubes now look slim.

Still, investors would be unwise to rush in to follow Mr Soros' lead. For a start, the cachet of the Soros name should not be overstated: inevitably, given the risks it takes, his fund has plenty of mistakes to its name. And by taking a £3.5m stake, the fund is hardly betting the farm on Lloyd's recovery. Nor do Lloyd's trusts look ostentatiously cheap. CLM, for instance, is trading around net asset value; traditionally shares in these vehicles have tended to attract a discount. True, like its peers it has some good underwriting years under its belt. But the outlook is still pretty grim. Spare capacity at Lloyd's has grown sharply; inevitably, as rates come down, underwriting profits will be hit – even leaving aside the ever-present risk of a catastrophe. A further problem is that most of these stocks, including CLM, are illiquid. Market capitalisations are, by normal investment standards, tiny and unravelling a stake of any size would not be easy. In short, Mr Soros is probably right to gamble on Lloyd's pulling through. But there are plenty of reasons why this is unlikely to be one of his more lucrative bets.

UK mortgage market

Nationwide Building Society's latest cut in its mortgage rate shows that its dogged retention of mutual status, while others raced for flotation, has paradoxically increased its clout. While sharing some of its profits with members may not stave off conversion to bank status for ever, Nationwide is currently putting its competitors in a tricky position. With plenty of capital, it can afford to turn the screw on other mortgage lenders, whether banks or building societies preparing for conversion to bank status. And it has the competitive advantage of being able to keep rates low without having to worry about paying dividends to shareholders.

Still, there is room for current margins to slim without a bloodbath. With fat margins of more than 2 percentage points between savings and mortgage rates, some trimming seems inevitable. But given the lack of growth in the mortgage market, even a reasonably moderate contraction of margins to, say, 1.7 or 1.8 points would have an uncomfortable impact on mortgage lenders' earnings. As it is, most banks and building societies are spreading the costs of offering discounts on mortgages by amortising them over three years – which means that some of the pain of increased competition so far is still to come.

The result may be increased pressure to buy earnings growth through an acquisition in a less mature market such as the long-term savings market – as Halifax has done with Clerical Medical. Certainly, Abbey National's goal of reducing reliance on the mortgage market seems more desirable than ever.

Additional Lex comment on Signet, Page 23

Markets

Continued from Page 1

Asia helped the mood," said Mr Keith Skeoch, chief economist at broker James Capel.

European markets started the day lower but quickly recovered. In London, the FT-SE 100 index opened 29.4 down at 3,726.2 but by the close had managed to finish with a 3 point gain.

There was talk of Europe "decoupling" from the US markets, which have been highly volatile this year: even if US interest rates will not be cut again, most economists still expect that European rates can fall further.

Swiss banks

Continued from Page 1

is abandoning the fight, and has called on other shareholders to vote against the nomination of new directors at the UBS annual meeting on Tuesday. He also opposes the nomination of Mr Robert Studer, former chief executive, as chairman.

However, BK Vision said last week that if other large shareholders did not support its call for a more focused strategy and significant board changes at UBS, it might sell its shares.

CS denied that it was planning to support BK Vision.

Spain threat

Continued from Page 1

González, would be persuaded to abstain in an investiture vote in order to enable Mr Aznar to form a government.

Mr Pujol's party is pressing for changes in arrangements agreed three years ago for funding the administrations of Spain's 17 self-governing regions. It wants an increase in the share of income tax that is earmarked for spending by each region – currently 15 per cent – and access to part of the revenues raised from value-added tax and levies on petrol and tobacco.

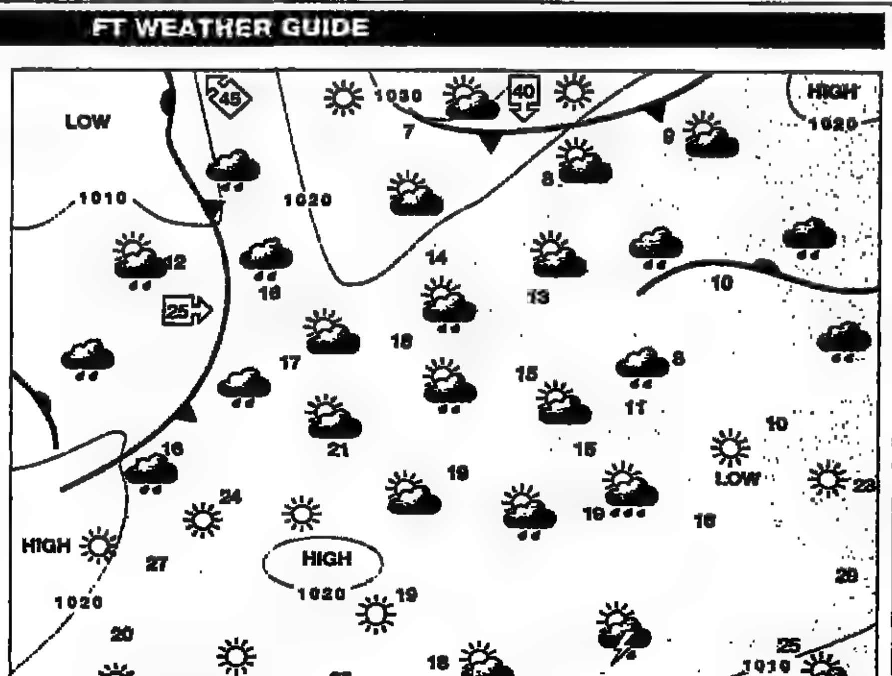
FT WEATHER GUIDE

Europe today

A frontal system over the British Isles, Brittany and north-west Spain will produce cloud and rain. The Benelux will see cloud, especially in the morning, but the sun will gradually become dominant. France will have sunny periods. Spain will be warm and sunny. Central Europe will have bright sunny spells with a few showers. The southern Balkans will have downpours, especially in Greece. Countries north and west of the Black Sea will have cloud and rain. Much of eastern Europe will have sunny periods. Scandinavia will be mostly sunny but rather cold.

Five-day forecast

Persistent high pressure over Scandinavia will ensure little change in northern and eastern Europe, although it will turn somewhat colder. A few low pressure systems over the Atlantic will move into western Europe bringing rain to the UK, France and northern Spain and moving into the Benelux, the Alps and northern Italy on Saturday and Sunday. Southern Italy and the Balkans will stay unsettled till Saturday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	34
Accra	fair	32
Algiers	fair	20
Amsterdam	cloudy	13
Athens	shower	19
Atlanta	fair	18
B. Aires	sun	24
B.ham	rain	14
Bangkok	fair	38
Barcelona	fair	23
Beijing	fair	16
Belfast	shower	13
Belgrade	fair	15
Berlin	shower	14
Bermuda	shower	21
Bogota	cloudy	19
Bombay	fair	35
Brussels	fair	14
Budapest	fair	15
C.hagen	cloudy	11
Cairo	fair	25
Cape Town	fair	22
Caracas	fair	29
Cardiff	rain	12
Casablanca	sun	20
Chicago	sun	14
Cologne	fair	14
Dakar	sun	25
Dallas	sun	27
Delhi	sun	34
Dubai	sun	33
Dublin	shower	13
Dubrovnik	fair	16
Edinburgh	rain	13
Faro	fair	21
Frankfurt	fair	18
Geneva	fair	20
Gibraltar	sun	22
Glasgow	rain	13
Hamburg	cloudy	13
Helsinki	sun	4
Hong Kong	rain	21
Honolulu	fair	31
Istanbul	sun	17
Jakarta	fair	32
Jersey	drzzl	13
Karachi	sun	36
Kuwait	fair	28
L. Angeles	fair	19
Las Palmas	fair	23
Lima	cloudy	23
Lisbon	sun	21
London	rain	16
Luxbourg	fair	13
Lyon	fair	18
Madeira	fair	20
Madrid	fair	24
Majorca	sun	22
Malta	fair	18
Manchester	rain	14
Manila	cloudy	32
Melbourne	shower	17
Mexico City	sun	22
Miami	sun	28
Milan	fair	20
Montreal	snow	4
Moscow	fair	9
Munich	cloudy	14
Nairobi	fair	26
Naples	fair	19
Nassau	shower	27
New York	sleet	8
Nice	fair	18
Nicosia	sun	21
Oslo	sun	7
Paris	fair	17
Perth	cloudy	25
Prague	cloudy	14
Rangoon	sun	35
Reykjavik	rain	6
Rio	cloudy	28
Rome	fair	19
S. Frsco	cloudy	18
Seoul	fair	14
Singapore	cloudy	30
Stockholm	fair	7
Strasbourg	fair	18
Sydney	fair	21
Tangier	sun	21
Tel Aviv	fair	23
Tokyo	cloudy	16
Toronto	fair	7
Vancouver	rain	13
Venice	fair	17
Vienna	fair	14
Warsaw	fair	13
Washington	cloudy	9
Wellington	fair	18
Winnipeg	cloudy	10
Zurich	fair	18

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FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Citicorp upbeat on home banking

A decision by Citicorp last year to make home banking free for customers in the US has attracted nearly 200,000 customers, a sign of the surge in popularity for personal computer-based banking in the US. Despite its claim to have invented home banking in 1984, Citibank, the group's US bank, had only about 40,000 customers for the product as recently as last summer. Page 20

Galeries Lafayette slips back into red
Galeries Lafayette, the French retail group which owns the Monoprix and Uniprix supermarket chains and BHV department stores, reported a sharp drop in sales and a return to the red following the social unrest and terrorist scares affecting the country last year. Page 18

Slide in demand cuts International Paper
A sharp reversal in last year's strong market for paper products caused first-quarter earnings at International Paper, the US paper and board maker, to slump to $124m, against $246m in the same period last year. The results fell well short of expectations. Page 20

Hongkong Telecom wary of C&W/BT talks
For British Telecommunications, the attractions of Hongkong Telecom are clear. The operator supplies the bulk of profits for Cable and Wireless, its parent and BT's prospective merger partner, and a strategic base in Asia. For Hongkong Telecom and its minority shareholders, however, the benefits are more uncertain.
Page 21

Signet disposal 'likely to realise £300m'
The potential for profits to at least double at Signet's UK jewellery chains will probably produce a sale price of close to £300m, according to analysts. Signet is this week expected to draw up a shortlist from among the bidders for Ernest Jones and H.Samuel, the UK arm it has offered for sale.
Page 22

Guinness Mahon ends five-year deficit
Guinness Mahon, the London merchant bank, has returned to profitability for the first time since its 1991 takeover by Bank of Yokohama, the leading Japanese regional bank. Page 22

Ferguson International makes £38m sales
Ferguson International, the diversified UK group, announced the disposal of its coat hanger and electronic components businesses in deals worth a total of £37.6m. The sales will allow Ferguson to concentrate on the labels business, a move underlined with the purchase of Label Image Holdings, an adhesive labels manufacturer, in an £8.5m deal.
Page 22

Chargeurs gains after ruling out MGM buy
Shares in Chargeurs added FFr17 to FFr1,365 as the French media and textiles group, which in February announced plans to split into two quoted groups, said it was no longer interested in acquiring the MGM studios in Hollywood. Paris's CAC-40 index finished with a gain of 6.75 at 2,081.71.
Page 34

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko	919.5	+	17.5
Daimler Benz	800.5	+	10.5
Linde	932	+	14.5
Schmalbach Lub	230	+	6
Falls			
SAP AG	188	−	5.5
NEW YORK ($)			
Rises			
Greenbrier	14⅛	+	2
Litton Inds	44½	+	2¼
Sonat Offshore	53¾	+	3½
Tidewater	44	+	2¼
Falls			
Fed Nat Mtg	30¾	−	2⅛
Rolodex Intl	28⅜	−	1¼
LONDON (Pence)			
Rises			
Ferguson Intl	210	+	18
Manchester Utd	315	+	22
[illegible]	34	+	5
Stirling Grp	60	+	7
Falls			
[illegible] Express	487	−	24
Superscape VR	560	−	38
TORONTO (C$)			
Rises			
[illegible] Pharma	12⅛	+	1
QLT Photother	20½	+	1⅛
[illegible] Energy	12⅛	+	1⅛
Falls			
Alta A	8¾	−	⅛
Andres Wines B	10½	−	¾
Blackpole	11⅞	−	⅞

PARIS (FFr)			
Rises			
BIC	573	+	16
Intertechnique	560	+	10
Schneider	228	+	6
Falls			
Fonc Lyonnaise	680	−	10
Legris	250	−	4.8
UFB Locabail	488	−	14
TOKYO (Yen)			
Rises			
Ando Constn	623	+	34
Daishowa Paper	1010	+	100
Godo Steel	912	+	71
Haseko	525	+	80
Izumiya	1940	+	140
Nagasakiya	631	+	63
HONG KONG (HK$)			
Rises			
HS Intl	1.13	+	0.15
Kai Ming Inv	8.05	+	0.85
Pioneer Inds	8.65	+	0.35
Playmates Toys	1.73	+	0.16
Yaohan Intl	1.55	+	0.14
Falls			
Giordano Intl	7.55	−	0.4
BANGKOK (Baht)			
Rises			
Ayudhya Life	92	+	4.5
[illegible] Inds	78	+	38.33
Falls			
Chiangmai Frz	41.5	−	4.5
[illegible] Elec	84	−	5.5
Singer	219	−	18
[illegible] Canning	47	−	4

New York and Toronto prices at 12:30.

Surprise change in presidency at Nissan

By Michiyo Nakamoto in Tokyo and Haig Simonian in London

Mr Yoshikazu Hanawa is to become the next president of Nissan, the Japanese vehicles group, following the unexpected decision by Mr Yoshifumi Tsuji to step down in June.

The change, which took observers by surprise, triggered speculation about the possible implications for Japan's second biggest carmaker.

Most analysts had expected Mr Tsuji, a tough product engineer, to remain for a third two-year term. However, Mr Tsuji, who is assuming the largely ceremonial job of chairman, said the time had come for Nissan to rejuvenate its top management.

"I believe it is necessary, when a company faces difficult times, to change top management and breathe fresh air into the company," he said.

He suggested he had not completed the task he had set himself as president.

Nissan has been criticised in recent years for responding sluggishly to challenges in the market, such as the yen's sharp rise and the downturn in domestic demand.

Consolidated pre-tax losses rose to Y166.1bn ($1.55bn) in the latest financial year ending March 31 1995, compared with a loss of Y55.9bn the year before.

Mr Tsuji is stepping down just as Nissan looks set to report its first group operating profit in four years in the latest financial year. However, it is still expected to make a pre-tax loss of Y92bn, according to Mr Enda Clarke, an analyst at Dresdner Kleinwort Benson, an investment bank in Tokyo.

Among the difficult steps Mr Tsuji oversaw as president was the closure in 1993 of one of the company's older factories, a highly unusual move for a Japanese carmaker.

"The company is definitely on a solid road to recovery," said Mr Clarke. The impact of rationalisation is expected to emerge strongly this year, while foreign profits will be lifted by the weaker yen.

Mr Tsuji will remain involved in the motor industry as president of the Japan Automobile Manufacturers Association.

Mr Hanawa, 62, has been an executive vice-president of Nissan since 1991 and had been widely tipped as the company's next president. His 40 years at the company include two tours of duty in the US along with positions in personnel, product planning and market strategy.

In spite of a reputation as a strategist and diplomat, Mr Hanawa is not expected to prompt significant changes. Nissan has completed its first aim of restoring operating profits and will now focus on improving its balance sheet. It still had Y3,900bn of consolidated debt at the end of March, giving it a debt to equity ratio of 2.75, according to Mr Clarke.

Drive up quality street, Page 15

Commonwealth Bank's public share offer could raise as much as A$4bn

Australia plans to sell remaining bank stake in July

By Nikki Tait in Sydney

The Australian federal government yesterday said it was aiming to complete the stock market flotation of its remaining stake in Commonwealth Bank by the end of July.

The sale will take place via a public share offer, and the price at which the stake will be offered has yet to be set. But, assuming the entire 50.4 per cent holding is sold in a single tranche, the sale could raise about A$4bn (US$3.1bn) for the government, making it one of the largest privatisation exercises undertaken in Australia.

"It is the government's objective that the Commonwealth Bank will have no government ownership and will be on an equal footing with other major banks in Australia," said Mr John Fahey, finance minister, yesterday.

In conjunction with the sale, the government announced that it had reached an agreement with the bank which would see Commonwealth buy back – and subsequently cancel – 100m shares, or about 10 per cent of its total equity, from the government.

The buy-back price will be the average price at which shares are sold to investors in the public offering, subject to a maximum of A$10.70 a share. This means that the maximum potential total outlay for the bank will be A$1.07bn.

Commonwealth said it would be sending out details of the buy-back scheme to existing shareholders in the middle of April, together with a date for a general meeting at which shareholders will be asked to approve the scheme. The buy-back plan is also conditional on an independent assessment of the scheme deeming it "fair and reasonable", and on the government's total gross sale proceeds (excluding the buy-back sum) topping A$2bn.

Commonwealth has warned that the buy-back plan will depress profits by about A$45m after tax in 1996-97. But directors have also pointed out that the scheme should increase earnings per share and the return on shareholders' funds. Accordingly, they say that they favour the scheme.

Yesterday, Mr Tim Besley, Commonwealth's chairman, said the directors considered the buy-back to be a "better use of capital than other alternatives".

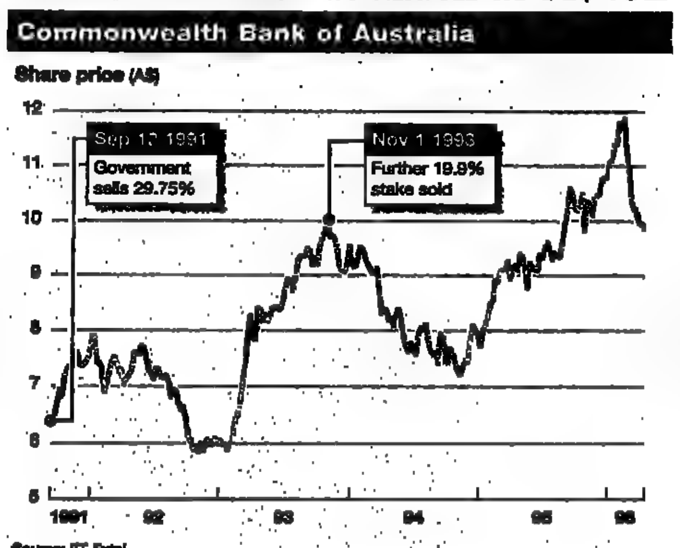
Westpac, another large Australian bank, has also decided to use surplus capital to buy back shares, while ANZ bought in a relatively small number of ordinary shares which were issued when some preference shares converted.

By contrast, National Australia Bank, the country's biggest banking group, has remained more acquisition-focused.

Mr Besley noted that the cap on the bank's maximum outlay under the buy-back plan should give shareholders certainty over the cost of the scheme, and argued that the arrangement should "protect existing shareholders' interests when the public offering is under way".

The federal government sold down its original 100 per cent holding in the bank in two tranches – in 1991, and then in 1993. The first set of shares were offered at A$5.40 a share, and the second at A$9.35-A$9.60.

Commonwealth Bank of Australia



Source: FT Extel

Microsoft enters network alliance with MCI and DEC

By Louise Kehoe in San Francisco

Microsoft, MCI Communications and Digital Equipment have formed an alliance to address the growing market for "intranet" data communications and electronic messaging services.

Intranets – private networks based on the technical standards of the public Internet and World Wide Web – enable corporate employees to send electronic mail, share information and work collaboratively from remote locations.

The software, telecommunications and computer companies said they would combine their technologies to create data communications services for both local and wide area use.

MCI will begin marketing these services to US corporate customers this summer. The business focus of the alliance is in contrast to consumer-orientated Internet services recently launched by AT&T and others. MCI is "very specifically focusing its Internet activities on the business market", said Mr Bert Roberts, MCI chairman and chief executive.

Mr Bob Palmer, Digital chief executive, said: "More than 90 per cent of [Internet-style] products and services revenues will come from business use of intranets, rather than from the Internet itself, according to the latest industry projections."

Analysts estimate that the current $400m market for intranet services, software and hardware will reach $8bn by 1998.

The MCI/Microsoft/Digital alliance represents a direct challenge to AT&T and its Internet software partners, Lotus Development – a division of International Business Machines – and Netscape Communications, which are also pursuing the intranet market.

The alliance builds on existing partnerships between Microsoft and MCI and between Microsoft and Digital. Earlier this year, Microsoft and MCI forged an alliance to market online services.

Digital and Microsoft have long-standing ties as a result of Digital's adoption of the Microsoft Windows NT operating system for use on its Alpha server computers, which are used to create network hubs.

Japanese step up sales of 'trophy' properties in US

By Richard Waters in New York

Japanese investors and lenders have accelerated their sales of US "trophy" properties acquired during the boom years of the late 1980s, according to a survey of recent disposals published today.

The trickle of sales, first noted in the previous two years, grew during 1995 to a steady stream that is expected to continue for the next few years, say the authors of the report. Last year, Japanese institutions sold for $7bn buildings they had bought, compared with the nearly $5bn of properties shed in 1993 and 1994 combined.

The retreat by Japanese institutions has been marked by Mitsubishi Estate's decision last year to abandon its loss-making investment in the Rockefeller Centre, the landmark New York office and retail complex whose purchase in the 1980s had been a symbol of Japan's growing economic might. However, the majority of sales has continued to come in California and Hawaii, where the Japanese were big buyers of hotel and office developments.

According to the survey, by E&Y Kenneth Leventhal, a property advisory group, Japanese property companies, financial investors and others used their financial muscle to acquire $77.3bn worth of US properties between 1985-93.

After the early-1990s collapse in US commercial property markets, most of these developments are now worth far less.

Last year's disposals were made at around 60 per cent of the original purchase price, according to Leventhal – although that is better than the estimated 50 per cent realisations on sales two years before.

The pick-up in disposals has come with a return of liquidity in large parts of the US commercial property market, and a greater willingness among Japanese banks and other financial institutions to recognise the true extent of their bad loan problems.

Much of the new liquidity has come from opportunistic US investment funds, which were created in the early 1990s to benefit from distressed sales.

These investors accounted for more than half of the purchases last year, according to the Leventhal survey.

Most of these private investment vehicles are backed by US pension funds, some of which have been attracted back into property investments by the availability of relatively high yields, at a time when bond yields were falling last year.

If these factors persist, Japanese investors are likely to sell between $5bn-$10bn worth of US property a year over the next three to five years, according to the study.

Barry Riley

Mutual fund investors don't scare easily

Another US bond market slump on buoyant economic numbers has renewed the pressure on Wall Street equities. The long bond yield has now backed up by 90 basis points this year but the stock market has continued to drive higher, fuelled by the mutual funds – which poured about $40bn net into US equities during the first two months of 1996.

The flow into the US stock market is on such a scale that the 171-point crashette on March 8 was swiftly reversed and the Dow Jones Average hit an all-time peak last week. Investors think it always pays to buy on the dips.

A recent study by David Hale of Zurich Kemper Investments in Chicago has spelt out some of the remarkable mutual fund statistics. Mutual funds add up to the equivalent of about 38 per cent of US gross domestic product, although for equity funds separately the proportion is 17 per cent. The latter figure compares with perhaps 1 per cent in Germany and 3 per cent in Japan. However, there is a much closer comparison with the 14 per cent ratio in the UK.

Total US stock market capitalisation has been rising towards $7,000bn this year. Hale points out this represents an all-time high of close to 90 per cent of GDP, easily beating the post-war high of 79 per cent in 1968 and also above the previous all-time mark of 81 per cent in 1929.

In 1929-plus territory is the enhanced role of mutual funds becoming scary? Two years ago I discussed the warnings of "Dr Doom", Henry Kaufman. He suggested that sudden panics might affect investors, and recommended three-month "cooling-off" restrictions on withdrawals. Yet there are no real precedents for such lemming-like behaviour on the part of mutual fund investors, except perhaps in marginal foreign markets such as Mexico.

Moreover, Kaufman may not have taken enough account of the fact that vast volumes of mutual funds are being locked away in long-term tax-sheltered savings schemes such as 401(k) retirement plans.

Recently, the alternatives to equity funds have not been at all attractive

Yet although these savings are invested for the long term they are also easily switchable. The first reaction to any serious stock market upsets, though, will be the diversion of new flows into low-risk funds, of which the safest of all are money funds, as opposed to the funds in the growth and aggressive growth sectors which have been pulling in big money recently ($10bn net in February). Only later, after US investors become disillusioned, will they start rebalancing their existing portfolios.

Recently, however, the alternatives to equity funds have not been at all attractive. Money fund returns have been relatively low, although not so meagre as in 1993 when the seeds of the present cult of the equity were planted.

As for bonds, yields have repeatedly been bid down out of the buying range of US domestic investors – for instance, through massive intervention by Asian central banks. Not only have bond yields been often unattractive, but price volatility has been high: the price of the US Treasury 30-year bond has tumbled by more than 12 per cent this year.

All the same, recent investment conditions have been in some respects similar to those experienced in the 1960s, when inflation was also low and stable. The apparent boom in US corporate profits has only taken the average return on capital back up to the 10 per cent or 11 per cent pre-tax range which was maintained, and sometimes bettered, from 1962 to 1969.

In the 1960s, US personal investors participated in the stock market's boom through direct stock ownership. This time, mutual funds are playing a much bigger role, but there is little reason to think that the change will be destabilising in itself.

However, a lot of US investors running what may be becoming substantial personal pension plans have no expertise in managing balanced portfolios. At one stage the criticism was that too much of the 401(k) money was in ultra-cautious cash. Now too much may be in aggressive growth funds.

Exactly how that learning process unfolds and the funds are rebalanced will determine whether the great bull market ends with a crash or a whimper.

French retailer blames terrorism for fall into red

By Andrew Jack in Paris

Galeries Lafayette, the French retail group named after its Paris flagship department store, yesterday reported a sharp drop in sales and a return to the red after the terrorist scares and industrial unrest that affected the country last year.

The group, which owns the Monoprix and Uniprix supermarket chains and BHV department stores, reported a loss of FFr293m ($58.2m) for 1995, after net income of FFr14m in the previous 12 months.

Turnover fell 2.4 per cent to FFr28.8bn during the year, a further indication of the difficulties facing much of the French retail sector during the second half of last year.

The board said that in addition to a slowdown in consumer spending – notably in town centre shops – activity in its stores had been "considerably disrupted" by the terrorist attacks on Paris and bomb scares in other French city centres between July and October last year.

Consumer spending was further reduced by the public transport strikes in November and December, which were triggered by opposition to the government's proposed social security reforms.

The group said the events had led to a FFr200m reduction in its margins.

A fall in receipts and a corresponding increase in stocks had come on top of an aggravated financial loss of FFr280m (compared with a loss of FFr230m) because of increases in interest rates during the year.

Galeries Lafayette reported an operating loss of FFr126m, compared with profits of FFr48m, and had exceptional income of FFr12m, compared with FFr153m last time. It said there had been a "significant" contribution from its financial services activities.

The group said it had launched a restructuring plan for its department stores, and that its objective to close and sell loss-making shops and changes to its staffing policies should lead to improvements in its results during 1996.

It added that its balance sheet should be strengthened by the sale of FFr1bn in property assets.

In 1994 it announced the closure of its New York store, but it has invested in large scale renovation of other sites, and is continuing development in Asia, notably in Japan.

Grounded Gränges gears itself up for eventual float

Had the Electrolux arm been sold last year, its first results would have been strong, writes **Kenneth Gooding**

Nobody was more disappointed when Electrolux of Sweden postponed the flotation of its Gränges aluminium subsidiary last year than Mr Lars Westerberg. He had been recruited from Esab, the welding company, in December, 1994, to steer Gränges to independence.

Electrolux, the world's leading manufacturer of household appliances, had hoped to raise as much as SKr3.7bn ($557m) from the flotation, an important part of the group's scheme to dismantle its industrial products division.

But only three weeks after the proposed sale to international investors was announced at the end of March, it had to be postponed. Electrolux blamed turbulence in foreign exchange markets – which resulted in a sharp fall in Sweden's currency – and a weak stock market. "The fall of the krona has made many foreign investors hesitant about a transaction of this size," said Mr Leif Johansson, Electrolux's chief executive.

However, Mr Westerberg suggests there were other reasons – including the attitude of Swedish investors. When it was founded, Gränges was an iron ore company. Many Swedish investors retained a perception that the company was still in that business rather than being a producer of aluminium, high-technology aluminium and plastic products – and the owner of Sweden's biggest recycling organisation.

It was also then widely believed – in Sweden and outside – that demand for metals was at the peak of the present business cycle. "Investors already had a lot of cyclical companies to choose from on the Stockholm exchange," Mr Westerberg points out.

International investors also placed too great an emphasis on Gränges' aluminium smelting operations. To give this some perspective, Mr Westerberg says that only 7 per cent of the group's employees are involved in smelting.

All these difficulties were compounded because the lack of any similar companies makes it hard for analysts to make comparisons.

Ironically, Gränges would have started its first year as a quoted company on a high note. In nearly every respect, 1995 was a record year.

Sales increased 19 per cent to SKr11.48bn. Profit after depreciation amounted to SKr831m, almost double the SKr446m for 1994 and representing a 24.6 per cent return on capital employed, up from 13.1 per cent. Gränges' net income went from SKr303.6m to SKr542m, and earnings per share rose from SKr9.49 to SKr16.93.

Mr Westerberg, 48, an engineering graduate with an MBA who started his career with ABB, the Swedish-Swiss engineering group, has been pressing ahead with plans to give Gränges a clearer focus. Its distribution business has been sold and those operations with the best potential for growth are getting most of the available investment cash – capital investment was a record SKr580m last year and will rise to SKr600m this year.

The aim, he says, is for Gränges to grow at twice the rate of the market over the business cycle in these "target" sectors.

Lars Westerberg: Swedish investor attitudes helped postpone sale

These include the Sapa aluminium extrusion operations, Gränges' largest and most important business, and second only in Europe to Norsk Hydro's extrusions division.

Last year Sapa installed new presses in the Netherlands and Poland and increased production and painting capacity in Sweden. Mr Westerberg points out that "we must build the capacity for growth if we are to grow at twice the market rate" – even if, as in this case, the market is expected to grow at a modest 2 per cent a year. Gränges' produced 111,500 tonnes of aluminium extrusions last year and aims to increase this to 140,000 tonnes by 1998.

It specialises in complex components with high added value supplied by factories in the UK, Germany and France as well as the Netherlands, Poland and Sweden.

A similar approach is being employed by the aluminium foil operations, where a new generation of strip casting machines went into operation at the end of 1995.

This, too, is a market where annual growth is a modest 2 per cent, but Mr Westerberg says Gränges forecasts much bigger growth in two particular products in which it specialises.

One is a cladded heat transfer material, mainly for the automotive industry. This cladded strip is used when sealing the components together in a heat exchanger by brazing, a manufacturing method becoming increasingly common.

The second is speciality thin foil for the packaging industry. This has a very light gauge – below .007mm – and is used to protect sensitive food and pharmaceuticals, and in sealed foil packaging.

Gränges has no plans to increase annual capacity at its aluminium smelter at Sundsvall from its present 98,000 tonnes, but the cast house is to be upgraded. The smelter recently signed another four-year power supply contract, with an option on a fifth year. The outlook for power costs in Sweden is uncertain because of political pressure for cuts in its nuclear power capacity.

Mr Westerberg suggests that some time in the distant future the plan for a consortium, lead by Alumax, the US group, and including Gränges, to build a new aluminium smelter in Iceland – taking advantage of the low-cost hydro-electric power there – might be re-activated.

Gränges' automotive plastics operations are also seeing fast growth – a 22 per cent sales increase last year. The strategy for this business is to concentrate of "sole supply" contracts for niche products to small-volume carmakers. Customers already include Audi and BMW in Germany as well as Saab and Volvo in Sweden.

"We would prefer to have many, demanding customers rather than one big volume producer as a customer," says Mr Westerberg.

Gränges' recycling business, *Gotthards*, reported a 27 per cent sales increase last year and Mr Westerberg says there will be considerable opportunities for large companies as the recycling industry reshapes itself. More mechanisation is required and this lifts the cost of entry to the business. The prime objective is to expand Gotthards outside Sweden.

Last year 35 per cent of Gränges' total sales were in Sweden, a further 61 per cent to the rest of Europe and 4 per cent outside Europe.

In spite of its obvious growth prospects, Gränges is still seen by Electrolux as a "non-core" business. It may not be long before the flotation plan is revived. Analysts suggest that next year aluminium prices will probably hit a peak, and that would be a good time for Electrolux to give Gränges its independence.

NEWS DIGEST

Nova TV registers strong rise for year

Nova TV, the Czech commercial television station, quadrupled pre-tax profits to $39.05m last year, its second year of operation, from $10.3m in 1994. The broadcaster has quickly become the main money-spinner in the Central European Media Enterprises (CME) group, which has pioneered private commercial television in central and east Europe since the collapse of communism. CME has a 66 per cent stake in Nova TV, which has eclipsed its state-owned rivals in its first two years of operation and claims a market share of around 70 per cent of Czech television viewers. Nova TV is paying a dividend totalling Kč330m ($12.15m) for 1995, of which CME will receive $8.7m.

CME has been created by a group of US venture capitalists led by Mr Ronald Lauder, one of the heirs to the Estée Lauder cosmetics fortune and the CME majority shareholder. By the end of 1995, the group was broadcasting to a potential audience of 27m, compared with 18m a year earlier. This is expected to increase to 35m by the end of 1996. It is also seeking licences in Poland, Ukraine and Germany.

The surge in profits at Nova TV were outweighed last year by heavy investment costs and continuing losses at CME's minority-owned regional television activities in Germany. The group started national commercial television operations in Romania and Slovenia last December, and is planning to broadcast in Slovakia, Dresden and Leipzig this year and in Hungary in 1997. CME turnover rose to $98.92m in 1995 from $53.57m a year earlier, mainly because of the rapid growth of Nova TV advertising revenues. The net loss was reduced to $18.74m from $20.5m in 1994.

Kevin Done, East Europe Correspondent

Eni proposes L215 dividend

Eni, the Italian oil, gas and chemicals group, yesterday proposed a dividend of L215 a share for 1995, its first payment since the Italian treasury floated a 15 per cent stake in the company last year. The company paid a dividend to the treasury of L117 a share on the 1994 results. Eni also confirmed the profit estimate released last month, reporting a 35 per cent increase in net profit from L3,213bn in 1994 to L4,327bn ($2.8bn), on sales up 14 per cent from L49,839bn to L56,889bn. The partial privatisation of Eni was carried out in a difficult market last November at a price of L5,250 a share. The shares closed yesterday at L5,905, before the release of the 1995 figures.

Andrew Hill, Milan

La Caixa buys 3% of Respol

La Caixa, Europe's largest savings bank, has bought a 3 per cent stake in Repsol, the Spanish oil, gas and chemicals group, for Pta40.8bn ($330m). La Caixa said the acquisition formed part of the bank's strategy of investing part of its funds in motorway, water, gas and telecoms companies. Last month, La Caixa raised its stake in Telefonica de Espana to 5 per cent from 4.1 per cent.

Agencies, Madrid

VNU sees further acquisitions

VNU, the Dutch publisher and commercial television group, expects to continue making acquisitions this year, probably in the business information area, Mr Joep Brentjes, chairman, said yesterday. He added that commercial television margins would recover from 1997 onwards. In 1996, VNU expected operating profit in that division to be "clearly lower" than in 1995, partly because of start-up costs. He said it was too early to give specific figures. In 1995, commercial television operating profit fell from Fl 57m to Fl 36m ($21.8m).

AFX News, Haarlem

COMPANIES AND FINANCE: INTERNATIONAL

Group with a vision pursues oil's holy grail

Secretive Schlumberger expects its technological edge to win it a name as the best, says Robert Corzine

Schlumberger, the secretive Franco-American oil services group, has a Scottish chairman, a Protestant work ethic and is about as accessible to the outside world as a discreet Swiss bank.

The low profile is deliberate, says Mr Euan Baird, chairman and chief executive, who says it is "good protection" for the many Schlumberger employees who work in war zones or politically unstable parts of the world.

But it also suits a company which, like a Swiss bank, is privy to many of its clients' deepest secrets. Although Schlumberger is mainly known as a broad-based oil services group, its competitive edge is in understanding and managing oil and gas reservoirs. As such, it has an intimate knowledge of some of the most important assets of the big international oil companies.

"It knows which fields are the crown jewels and which are the potential skeletons in the closet," says one industry observer.

In an increasingly technologically driven oil industry, knowledge is power. And some oil companies fear that Schlumberger may one day decide to use its expertise to challenge them at their own game. After all, say industry observers, most big oil concerns have already farmed out many technical activities. In many cases, their remaining claim to technological superiority is their knowledge of how to define and manage oil and gas reservoirs.

But as one executive notes: "In some cases, much of that work is already contracted out to Schlumberger."

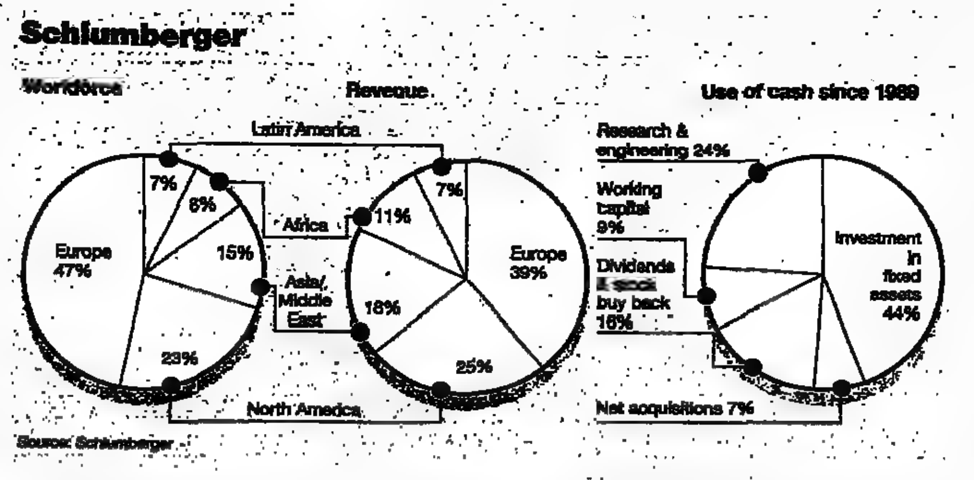
Some oil services companies, such as Brown & Root, have publicly speculated about investing directly in oil fields in order to enhance earnings at a time when service margins are under pressure. But Mr Baird is adamant that Schlumberger will not cross the increasingly blurred divide between a service and an oil company.

"We have no interest in taking equity positions in oil reservoirs," says Mr Baird. "We think any service company that does so is stupid." Such actions would "distort the whole service business . . . it would simply disappear".

Mr Baird also wonders whether the assumed financial advantages of such a strategy would actually materialise. "Why should we change the image of being the premier oil services company for one of a mediocre, also ran oil company?" he asks. "And would the returns on investment would be any better as an oil company?"

So how does Schlumberger intend to maintain profits growth when its clients are demanding better services at lower costs?

The key, says Mr Baird, lies in having technology that an oil company will pay a premium for, even during a period of soft oil prices. Schlumberger executives in Aberdeen, Scotland's oil centre, cite the example of a new sensing tool which is lowered deep into wells to measure various properties of the surrounding rocks. The new tool is not only much more capable than the one it replaced, it is half its size and so reliable that "it just doesn't fail", according to one executive. The advantages of the new tool are so compelling that Schlumberger can charge oil companies 25 per cent to 30 per cent more. "With a drilling rig costing $250,000 a day, if you can save a few hours you have saved $30,000," says a Schlumberger executive. "The oil company is happy to give you some of that."



Mr Baird says that within Schlumberger there is "still a clear conviction that investing in technology is vital to the future." Much of the expenditure is devoted to R&D, and much of it done in research centres in France, the US and near Cambridge in the UK.

In the past the company had a reputation for being "technologically arrogant", and focusing on esoteric research which was of little practical use. But Mr Baird says those days ended with the imposition of tighter budgets that led to R&D becoming more business focused.

It is at such research centres that Schlumberger's most ambitious technological vision is taking shape. The company has set itself the goal that within 10 years it will be able to monitor and control in real time all the key processes that go on within a reservoir. It is, says Mr Baird, no less than the oil industry's "new holy grail". Achieving the goal would revolutionise oil production practices and usher in a new era in productivity that could boost average worldwide recovery rates from 35 per cent to 50 per cent.

It could also make Schlumberger a lot of money. "If you can raise the recovery rates to such levels, the added costs of using the latest and perhaps most expensive technology to develop the field are dwarfed by the increased value of the recoverable reserves," says one industry analyst.

Schlumberger has reinforced its own technical competence by forging close links with Intel, the world's largest computer chip maker. Intel's latest devices are delivered to Schlumberger sites every three months for field testing, giving the company a distinct edge over some competitors.

It has also spent the past 10 years putting into place the "right seismic, software and other technical bricks" to make such a production revolution happen. "Over the next 10 years we have to integrate them," says Mr Baird.

But he says technology on its own will not be enough to achieve the company's ambitious goals. "It has to be in the right cultural package."

Schlumberger says its broad base of different nationalities, recruited over a generation, has given it a unique edge over its – mainly US – competitors. But creating a multicultural workforce also caused internal strains in an organisation already suffering an identity crisis.

"We don't fit easily into any classification," says Mr Baird. "We are considered American in France . . . or even worse, we are thought of as traitors because we started there. But in the US, where we do a third of our business, we still have a foreign image."

This week shareholders gather for the annual general meeting, which will mark the company's 40th year of being domiciled in the Netherlands Antilles. It was the compromise choice between the feuding French and US branches of the founding Schlumberger family, which still holds two seats on the board and a shareholding said to be in "the teens".

The family strategy was to let the management get on with running the company, and as a result they and their descendants are "now all fabulously rich", say company executives.

In 10 years, Schlumberger's other shareholders will have a chance to see whether the company's new strategy of becoming "the best total oil service company in the world" will do the same for them.

NatWest strengthens US investment banking team

By Richard Waters in New York

National Westminster Bank yesterday became the latest in a line of European banks to announce appointments designed to boost its deal-making abilities in the US.

The moves, which will strengthen both its financing and advisory businesses, mark the second stage in a recent push by NatWest Markets, the UK bank's investment banking arm, to develop a bigger presence on Wall Street.

The bank last year paid $135m for a mergers and acquisitions advisory firm run by Mr Eric Gleacher, a former head of M&A at Kidder Peabody.

The latest appointments will complete "the framework for the way we want the business to look", said Mr Gleacher, who is now chairman of NatWest Markets in the US. The intention is to create a financing unit with the muscle to back the transactions developed by NatWest's advisory group, he added.

Like other European banks, NatWest has opted to try to lure experienced bankers and traders from Wall Street rather than try to buy a large investment bank outright. The UK bank announced plans to invest more in its investment banking operations after it found a buyer for its retail bank in the US last year.

Among the most notable appointments so far, Deutsche Bank last week recruited the core of Morgan Stanley's high-tech banking group, while UBS has assembled a large financial services industry group from former Salomon Brothers bankers.

The new appointments at NatWest include a head of acquisition lending and a team of traders and sales staff to form a high-yield bond group.

NatWest said it had hired Mr Elliott Jones, the former head of Chase Manhattan's acquisition finance group. It has also recruited two members of Donaldson Lufkin & Jenrett's high-yield bond group, Mr Matthew Gourlay and Mr Dan Fitzgerald, as managing directors for its own unit.

The 40 people assumed with the Gleacher acquisition meant the bank already had a sufficiently strong advisory group, added Mr Gleacher.

The UK bank has also appointed Mr Edward Shaw, the former general counsel of Chase Manhattan, to a similar position in the US. Mr Shaw is the latest senior Chase banker to leave following the merger with Chemical Banking, which took effect at the beginning of this month.

IBM near to licensing deal with Apple

International Business Machines is close to signing a pact with Apple Computer, the troubled US personal computer maker, to license the Macintosh operating system, reports Reuter from New York.

The licensing agreement, which is expected to be signed within the next few days, does not mean IBM will offer computers that run the Apple software – an idea IBM has long rejected.

However, IBM's Microelectronics division, which manufactures PowerPC microprocessor chips used in Apple's Macintosh computers, is expected to offer the Apple software in combination with its chips for use by other computer makers seeking to develop Macintosh "clones".

The agreement is expected to be similar to a pact that Apple signed in February with Motorola's computer systems unit. IBM will have the rights to sub-license the Macintosh operating system software to other computer makers.

The deal differs from Apple's pact with Motorola, however, because Motorola will sell complete motherboards (the main circuit board in a PC) to computer makers, while IBM plans to offer the PowerPC chip and the Macintosh operating system.

Investors welcomed news of the plan and Apple's stock jumped $1 to $25⅝ in early afternoon trading on Nasdaq.

Citicorp upbeat on home banking

By Richard Waters

A decision by Citicorp last year to make home banking free for customers in the US has attracted nearly 200,000 customers, a sign of the surge in popularity for PC-based banking in the US.

The US group's move, at a time when others continue to charge monthly fees for similar services, has been the most aggressive step yet taken by a bank to establish a base in the world of on-line banking.

Despite its claim to have invented home banking in 1984, Citibank, the group's US bank, had only about 40,000 customers for the product as recently as last summer.

"We have seen incredible inflows of new customers in home banking," said Mr Frits Seegers, director of marketing for the group's US retail bank. In the New York city region, where the bank's retail banking operations are concentrated, the number of customers "has increased tenfold" since fees were abandoned and "tens of thousands of customers a month" are starting to use the product, he added.

Despite signs that customers want easier ways to access their bank accounts, though, Citibank is likely to remain cautious about developing services for the Internet, Mr Seegers said.

Earlier this year, Mr John Reed, the US group's chairman, warned that banks could be laying themselves open to massive frauds as they push into the era of on-line banking. Citicorp was itself the victim last year of a group of hackers based in Russia, who successfully penetrated its cash management system.

Explaining the bank's caution, Mr Seegers said: "If you lose the trust of your customers, you're basically dead as a bank."

Citibank has filed patents to cover mechanisms it is developing for making secure payments over the Internet. However, US export regulations would prevent the software being used outside the US.

Evidence so far suggests that home banking customers have "a very high usage", he added, with most customers using the service for paying bills, checking the balance of their accounts and moving money between accounts.

Later this year, Citibank plans to distribute the first completely new version of its home banking software since the product was launched in 1984, as well as an extension of the service to a number of European countries.

Unlike most other banks, the US institution has chosen to write and maintain its own software, rather than buy it from an outside supplier. Justifying that decision, Mr Seegers said: "Do you want to be at the mercy of all kinds of software houses and technology houses who tell you how to do things? If you can't build it any more, you give away a lot of power."

Sharp fall in prices hurts US paper group

By Richard Tomkins in New York

A sharp reversal in last year's strong market for paper products caused a slump in first-quarter earnings for International Paper, the US paper and board maker.

Underlying profits were $124m after tax, or 46 cents a share – roughly half the $246m, or 97 cents, reported last time. The results fell well short of analysts' expectations of 51 cents a share.

The company blamed its poor profits performance on a market glut. Amid a slowdown in worldwide economic activity, customers reduced inventories, leading to sharp falls in prices for most paper and packaging products. One exception was newsprint.

Last week, International Paper warned that the fall in prices would cause earnings to fall below analysts' previous estimate of 65 cents a share, but it did not say how large the shortfall would be.

During the quarter, the company took a previously announced restructuring charge of $362m after tax, partly to cover the cost of overhauling its lacklustre imaging products operation. This was offset by an after-tax gain of $336m on the sale of a stake in a subsidiary.

Including these special items, net earnings were $98m, or 36 cents a share.

The company said earnings were down in all product lines, with the biggest declines in pulp and printing and converting papers. Profits were also hit by extensive downtime at company mills and unusually severe winter weather.

However, Mr John Dillon, the former chief operating officer who took over as chairman and chief executive last week, said the company was beginning to see improvements in some product lines, notably printing papers. "We believe inventory corrections for some of these grades are largely over," he said.

Last week, International Paper announced an $80 a ton price increase for most of its uncoated US business papers, citing improving demand and lower inventory levels. Yesterday, the shares were up $1 at $39¼ in early trading, reflecting optimism about the outlook.

Even so, analysts believe the sharp about-turn in the market for paper products will produce poor earnings comparisons for International Paper and other big paper companies for several quarters to come.

NEWS DIGEST

Scott's Hospitality considers sell-off

Scott's Hospitality, the Canada-based fast food and school bus operator that sold its British hotels last year for C$374m, is considering the sale of its transport division, or even the whole company, currently valued at nearly C$700m (US$516m). The transport division accounts for almost 30 per cent of Scott's C$527m 1995 revenues.

Scott's, controlled by the Gardiner family of Toronto, said it wanted to raise shareholder value. It is also looking at a buy-back of its own stock, paying a special dividend or expanding in fast food.

Laidlaw, the big North American waste management and school bus operator, confirmed it was in talks with Scott's, but no deal was imminent.

Scott's posted net profit of C$52.3m, or 88 cents a share, in the nine months ended January 31, more than double the year-earlier level. Revenues were C$527m against C$519m. The latest period included an after-tax gain of C$1.24 a share on the hotel sale, partly offset by an 82 cents a share restructuring charge. *Robert Gibbens, Montreal*

Prices rise heartens Nova

Nova, the big Canadian petrochemicals and gas pipeline group, said a 3 per cent to 5 per cent rise in North American polyethylene product prices became effective on April 1 and styrene prices would go up 2 per cent shortly, cushioning an expected decline in the company's 1996 earnings.

Last year, Nova earned a record C$702m (US$517m) on revenues of $4.5bn, though polyethylene prices dropped sharply in the final quarter. It has been running its petrochemical plants full out in the first quarter without adding to inventory, and Asian customers are ready to pay premium prices, said Mr Jeffrey Lipton, president.

Nova is considering spending US$600m to raise ethylene and polyethylene capacity in Alberta, with start-up in the year 2000. *Robert Gibbens*

Cost controls bolster CanWest

CanWest, the Canadian communications group controlled by Winnipeg's Asper family, said strict cost controls led to a 72 per cent gain in second-quarter earnings to C$25.8m (US$19m), or 63 cents a share, from C$15m, or 37 cents, a year earlier.

For the first half ended February 29, net profit was C$58m, or C$1.39 a share, up 31 per cent from C$44.3m, or C$1.08, a year earlier, on revenues of C$318m, up 14 per cent from C$280m.

Better domestic advertising markets and strength in the affiliated Australia Network Ten also helped results. Prospects for growth in Canada, Australia and New Zealand are good, CanWest said, and it hopes to enter TV production and distribution. *Robert Gibbens*

Canada Life shows upturn

Canada Life, which derives nearly two-thirds of its premium income from the US and Europe, reversed three years of decline in 1995 to post net earnings of C$180m (US$133m), a 62 per cent rise on 1994. Canada's fourth-largest life company is planning more acquisitions in North America, Latin America and India. *Robert Gibbens*

Canadian Airlines signs pact

Canadian Airlines has signed a three year agreement with the International Machinists that will save it a further C$34m (US$25m) a year.

Canada's second-biggest airline has now signed new pacts with five of its six unions, leading to annual savings of almost C$100m. It has gained more job selectability in return for workforce stability. *Robert Gibbens*

Magna wins GM contract

Magna, the Canada-based car parts producer, is expected to convert an existing plant near Toronto to make frames for all General Motors light trucks and sports utility vehicles, starting in 1998. The plant will have volume of up to C$500m (US$368.5m) a year and will use a new cost-saving metal-forming process. Magna won the contract in competition with a big US company. *Robert Gibbens*

ARGENTINIAN INVESTMENT COMPANY

Société d'Investissement à Capital Variable
Siège social: 47, Boulevard Royal, L-2449 Luxembourg
R.C. Luxembourg B 35.162

NOTICE OF MEETING

Dear Shareholder,

We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on April 18, 1996 at 11.00 a.m. at the registered office at 47 Boulevard Royal, L-2449 Luxembourg, with the following agenda:

AGENDA

1. Presentation of the reports of the Board of Directors and of the Auditor.
2. Approval of the balance sheet, profit and loss account as of December 31, 1995 and the allocation of the net profits.
3. Discharge to be granted to the Directors for the financial year ended December 31, 1995.
4. Action on nomination for the election of the Directors and the Auditors for the ensuing year.
5. Any other business which may be properly brought before the meeting.

The shareholders are advised that no quorum for the items of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors

BRAZILIAN INVESTMENT COMPANY

Société d'Investissement à Capital Variable
Siège social: 47, Boulevard Royal, L-2449 Luxembourg
R.C. Luxembourg B 26.810

NOTICE OF MEETING

Dear Shareholder,

We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on April 18, 1996 at 12.00 a.m. at the registered office at 47 Boulevard Royal, L-2449 Luxembourg, with the following agenda:

AGENDA

1. Presentation of the reports of the Board of Directors and of the Auditor.
2. Approval of the balance sheet, profit and loss account as of December 31, 1995 and the allocation of the net profits.
3. Discharge to be granted to the Directors for the financial year ended December 31, 1995.
4. Action on nomination for the election of the Directors and the Auditors for the ensuing year.
5. Any other business which may be properly brought before the meeting.

The shareholders are advised that no quorum for the items of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors

COLOMBIAN INVESTMENT COMPANY

Société d'Investissement à Capital Variable
Siège social: 47, Boulevard Royal, L-2449 Luxembourg
R.C. Luxembourg B 39.274

NOTICE OF MEETING

Dear Shareholder,

We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on April 18, 1996 at 11.00 a.m. at the registered office at 47 Boulevard Royal, L-2449 Luxembourg, with the following agenda:

AGENDA

1. Presentation of the reports of the Board of Directors and of the Auditor.
2. Approval of the balance sheet, profit and loss account as of December 31, 1995 and the allocation of the net profits.
3. Discharge to be granted to the Directors for the financial year ended December 31, 1995.
4. Action on nomination for the election of the Directors and the Auditors for the ensuing year.
5. Any other business which may be properly brought before the meeting.

The shareholders are advised that no quorum for the items of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors

PERUVIAN INVESTMENT COMPANY

Société d'Investissement à Capital Variable
Siège social: 47, Boulevard Royal, L-2449 Luxembourg
R.C. Luxembourg B 43.274

NOTICE OF MEETING

Dear Shareholder,

We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on April 18, 1996 at 11.00 a.m. at the registered office at 47 Boulevard Royal, L-2449 Luxembourg, with the following agenda:

AGENDA

1. Presentation of the reports of the Board of Directors and of the Auditor.
2. Approval of the balance sheet, profit and loss account as of December 31, 1995 and the allocation of the net profits.
3. Discharge to be granted to the Directors for the financial year ended December 31, 1995.
4. Action on nomination for the election of the Directors and the Auditors for the ensuing year.
5. Any other business which may be properly brought before the meeting.

The shareholders are advised that no quorum for the items of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors

TAIWAN INVESTMENT COMPANY

Société d'Investissement à Capital Variable
Siège social: 47, Boulevard Royal, L-2449 Luxembourg
R.C. Luxembourg B 52.453

NOTICE OF MEETING

Dear Shareholder,

We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on April 18, 1996 at 11.00 a.m. at the registered office at 47 Boulevard Royal, L-2449 Luxembourg, with the following agenda:

AGENDA

1. Presentation of the reports of the Board of Directors and of the Auditor.
2. Approval of the balance sheet, profit and loss account as of December 31, 1995 and the allocation of the net profits.
3. Discharge to be granted to the Directors for the financial year ended December 31, 1995.
4. Action on nomination for the election of the Directors and the Auditors for the ensuing year.
5. Any other business which may be properly brought before the meeting.

The shareholders are advised that no quorum for the items of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors

MITSUI & CO., LTD.

(Incorporated with limited liability in Japan)

¥30,000,000,000
Fixed and
Floating Rate Notes 1996

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three months period 10th April, 1996 to 10th July, 1996 has been fixed at 0.48438 per cent per annum. Coupon No. 8 will therefore be payable on 10th July, 1996 at ¥12,244 per coupon from Notes of ¥10,000,000 nominal.

The Bank of Tokyo-Mitsubishi, Ltd.
London Branch
Agent Bank

10th April, 1996

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Prices for Pooling on 10.04.96 Pool purchase price £/MWh	Final Prices for Pooling on 1?.03.96 Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.10	12.30	12.30
0100	8.87	10.20	11.92
0130	9.22	15.50	17.22
0200	9.33	15.50	17.22
0230	22.43	15.50	17.22
0300	22.43	15.50	17.22
0330	22.43	15.50	17.22
0400	19.60	12.30	12.30
0430	9.32	9.80	9.80
0500	9.26	9.78	9.78
0530	9.30	9.78	9.78
0600	9.24	9.81	9.81
0630	9.32	9.89	9.89
0700	15.27	15.33	15.33
0730	17.62	20.69	23.84
0800	22.37	28.67	30.84
0830	23.95	34.50	40.28
0900	25.66	48.50	54.32
0930	27.18	54.71	60.56
1000	27.19	57.67	66.84
1030	25.68	54.25	62.93
1100	25.66	52.57	61.03
1130	25.65	56.84	66.08
1200	27.18	63.41	73.80
1230	27.18	62.11	71.67
1300	27.17	52.53	60.95
1330	25.64	39.51	45.67
1400	22.90	32.07	32.07
1430	22.90	29.07	29.07
1500	22.90	27.85	27.85
1530	22.90	29.78	29.78
1600	22.90	41.10	48.10
1630	22.90	55.08	64.41
1700	46.33	63.60	74.03
1730	46.33	57.68	66.90
1800	46.32	51.69	60.30
1830	28.50	65.03	88.03
1900	28.49	112.89	129.46
1930	28.49	111.65	127.04
2000	28.49	69.39	78.68
2030	9.40	31.42	36.78
2100	28.49	20.73	23.86
2130	30.07	14.24	14.24
2200	38.05	10.01	10.01
2230	22.10	9.79	9.79
2300	17.80	9.80	9.80
2330	9.32	9.68	9.68
2400	9.24	9.07	9.67

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 8789 between 8.30am and 5.15pm Monday to Friday.
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Cheung Kong Finance Cayman Limited

U.S.$500,000,000
Guaranteed Step-Up Floating Rate Notes due January 2001

For the interest period 9th April, 1996 to 9th July, 1996 the Notes will carry an interest rate of 6.06094% per annum, with an interest amount of U.S. $76.60 per U.S. $5,000 Denomination Note and U.S. $1,532.07 per U.S. $100,000 Denomination Note, payable on 9th July, 1996.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London — Agent Bank

COMPAGNIE DE SAINT GOBAIN

Public Company with a capital of FR.354 (184 ?0)
Registered Office: "Les Miroirs" 18, Avenue d'Alsace 92400 COURBEVOIE
R.C.S: NANTERRE B 542 039 532
PARTICIPATING STOCK APRIL 1984 OF ECU 1,000 EACH
GENERAL MEETING TO BE HELD ON 26 APRIL 1996

AGENDA

The owners of participating stock APRIL 1984 of ECU 1000 of COMPAGNIE DE SAINT GOBAIN are informed that the General Meeting will be held on 26 April 1996 at 11am at the registered office, in COURBEVOIE (92400) "Les Miroirs" 18, Avenue d'Alsace Bat B room R2B17. This meeting will enact on the following agenda:

- BOARD OF DIRECTORS' REPORT ON THE COMPANY'S OPERATIONS FOR FINANCIAL YEAR 1995
- AUDITOR'S REPORT ON FINANCIAL YEAR 1995 ACCOUNTS AND ELEMENTS FOR FIXING THE PARTICIPATING STOCK YIELD
- FIXING THE INCOME OF THE MASS ENTITLED REPRESENTATIVES
- POWERS FOR FORMALITIES

To attend the meeting the participating stock owner will have to provide a blocking affidavit issued by the trustee and in order to appoint a deputy at the meeting they will have to add a proxy to this affidavit.

The Board of Directors

COMPANY NOTICES

MAXWELL COMMUNICATION CORPORATION PLC (IN ADMINISTRATION)

Scheme of Arrangement
Plan of Reorganization

DM 150,000,000 6% bonds of 1988/1993
ECU 75,000,000 8⅞% bonds of 1988/1993
SFr 150,000,000 5% bonds of 1988/1995

NOTICE IS HEREBY GIVEN that, the fourth distribution under the Scheme and the Plan will be paid on 18 April 1996.

Holders of Distribution Certificates relating to the above bonds should present Distribution Coupon No 4 to their own bank, or any branch of the relevant agent bank or at the relevant address set out below in order to receive the fourth distribution.

Failure to present the relevant Distribution Coupon for payment within one year from 18 April 1996 will result in that Distribution Coupon becoming void, with the result that the holder of that Distribution Coupon will thereafter not be entitled to receive any distribution in respect thereof.

Agent Bank for the ECU and DM Bonds	Agent Bank for the Swiss Franc Bonds
Bayerische Vereinsbank AG	Swiss Volksbank
Am Tucherpark 12 80311 Munchen Federal Republic of Germany	PO Box 631 Bahnhofstrasse 53 CH-8021 Zurich Switzerland
Attention ZGA 63	Attention LWV 40

Dated 10 April 1996

AM Homan
ARD Jamieson
JGA Phillips
CG Bird
Administrators of Maxwell Communication Corporation plc

BANCO di NAPOLI

Public Limited Company
Registered office in Naples - Via Toledo 177
Lead Company of the Banco di Napoli Banking Group
Member of the Interbank Deposit Protection Fund
Share capital and reserves Lit. 3,677,975,135,006
Registered at the Court of Naples, no. 4180/91
Registered at C.C.I.A.A. in Naples, no. 487026
Banks Register no. 5065
Tax and VAT Code 06385890635

NOTICE OF ORDINARY GENERAL MEETING

Notice is hereby given that the Ordinary General Meeting of the Company will be held at the Company's registered office at Via Toledo 177, in Naples, Italy, on 29th April 1996 at 10.00 a.m. or, alternatively, should the need arise to make a second call, on 30th April 1996, same time and place, for the purpose of discussing and voting on the following

Agenda

1) Submission and approval of the Financial Statements for the year 1995 and of the reports of the Board of Directors and Board of Auditors. Adoption of the relevant resolutions;
2) Appointment of a member of the Board of Directors;
3) Appointment of the Chairman of the Company;
4) Appointment of two Auditors and two Alternate Auditors.

The right to attend the Meeting is regulated by the Articles of Association and the legislation currently in force.

The right to attend and vote is reserved to those shareholders holding ordinary shares of the Company who, at least five days before the date set for the meeting, have deposited the shares with Banco di Napoli SpA's branches or with one of the following designated banks:

Banca di Roma - Banca Nazionale del Lavoro - Banca Commerciale Italiana - Monte dei Paschi di Siena - Istituto Bancario San Paolo di Torino - Credito Italiano - Banco di Sicilia - Banco di Sardegna - Monte Titoli SpA (for the shares it administers).

The reports and the financial statements will be made available to shareholders at the Company's registered office as provided by law.

By Order of the Board of Directors
The Vice-Chairman
Ing. Luigi Mazzoni

MALAYSIA

US$650,000,000
Floating rate notes due 2005

In accordance with the provisions of the notes, notice is hereby given that for the six months interest period from 10 April 1996 to 10 October 1996 the notes will carry an interest rate of 5.5625% per annum. Interest payable on 10 October 1996 will amount to US$282.76 per US$10,000 note and US$7,069.01 per US$250,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

NOTICE TO THE SHAREHOLDERS OF FIVE ARROWS GLOBAL FUND

20, Boulevard Emmanuel Servais
L - 2535 LUXEMBOURG
R.C. B 40 619

Notice is hereby given that the Annual General Meeting of the shareholders of FIVE ARROWS GLOBAL FUND will be held at the Registered Office of the Company on 30 April 1996 at 10.00 am.

AGENDA

1. Approval of the Report of the Board of Directors and the Auditor's Report.
2. Approval of the financial statements for the fiscal year ending on 31 December 1995.
3. Allocation of the net result.
4. Ratification of the co-optation as Directors of Mr. Paul Freeman in replacement of Mr. Nigel WIGHTMAN and Mr. Raymond Hood in replacement of Mr. Geoffrey Robinson.
5. Discharge of the outgoing Directors and the Auditor from their duties for the year ending on 31 December 1995.
6. Appointment of the Directors and the Auditor of the Company:
   - Re-election of the outgoing Directors.
   - Appointment as Directors of Mr. Pieter Loeffang, Mr. Chris Jenkins and Mr. James Cundall.
   - Re-election of the Auditor.
7. Any other business.

Resolutions on the above-mentioned Agenda will require no quorum and the resolutions will be passed by a simple majority of the shares present or represented at the meeting. A shareholder may act at any meeting by proxy.

On behalf of the Company,
BANQUE DE GESTION EDMOND DE ROTHSCHILD LUXEMBOURG
- société anonyme -
20, Boulevard Emmanuel Servais
L - 2535 LUXEMBOURG

Pacific Island in all-paper bid for Dome Resources

By Nikki Tait in Sydney

Dome Resources, which owns and operates the Tolukama mine in Papua New Guinea, yesterday became the latest Australia-listed goldminer to be targeted with a takeover offer. The bid comes from Pacific Island Resources, also listed in Australia, and owner of the Mount Kasi mine in Fiji.

Pacific, which is offering three of its own shares for every four in Dome, said the proposed deal followed talks between the two companies. It had the "potential to create a 100,000 ounce per annum, low cash-cost Australia-listed gold producer", with the merged group controlling resources of more than 900,000 oz.

There would also be scope for economies of scale, and Pacific said it believed the merged company should qualify for inclusion in the Australian Gold Index.

But Dome reacted coolly, saying only that shareholders should take no action until an independent expert's advice had been received.

The proposed Pacific-Dome merger – which values Dome at about A$50m (US$39m) – is the latest in a series of bids and mergers in the Australian goldmining sector in recent months.

However, some bids may become difficult to pursue in the wake of a Supreme Court ruling last week, which upheld the traditional accounting standards treatment of the goodwill in such deals. This requires goodwill be written off, or amortised, over the life of the relevant mine assets.

Goodwill tends to be a significant feature in bids for Australian goldmining companies, which typically command a market price far above the stated value of their assets. Amortising this differential can pose problems for a bidder, since the effect is to depress future profits.

Last year, some companies took advantage of an apparent loophole in the Corporations Law, which seemed to allow bidders offering shares in consideration to move the acquired assets on to their balance sheet at "fair value". This, on fairly standard assumptions, could be shown to be close to book value.

But when Acacia Resources proposed such treatment in its A$90m bid for Solomon Pacific Resources, Solomon's advisers challenged the matter in court.

On Thursday, a Supreme Court judge backed Solomon's position, putting a permanent injunction on Acacia's formal offer documents, on the grounds that they were misleading and contained unacceptable acquisition accounting methods. Acacia is now "reviewing" the decision and its implications.

● Brierley Investments, the New Zealand-based investment group, said yesterday it had acquired a 7.1 per cent interest in Macraes Mining. Macraes is New Zealand's largest goldminer, and is listed in Australia and New Zealand.

Hongkong Telecom investors weigh risk and rewards

Regulatory and political obstacles could ensnare the proposed merger

BT/C&W merger talks

Viewed from the boardroom of British Telecommunications, the attractions of Hongkong Telecom are clear. The operator supplies the bulk of profits for Cable & Wireless, its parent and BT's prospective merger partner, and a strategic base in Asia. For Hongkong Telecom and its minority shareholders, however, the benefits are less apparent. The considerations they face underline the regulatory obstacles and political risks which could ensnare the proposed merger.

The obstacles, and the risks and rewards for shareholders, depend on the structure of any deal. Under Hong Kong's takeover and mergers code, a BT bid for C&W could be expected to trigger a general offer for Hongkong Telecom and the 42 per cent of the shares not held by C&W.

This apparent boost for Hongkong Telecom investors is due to the "chain principle" in the code. If a company acquires another company and thereby secures control of a third, the need to make an offer depends on whether the holding in the third company constitutes a substantial part of the second company's assets, or whether one of the main purposes of acquiring control of the second company was to secure control of the third.

A BT bid for C&W would appear to satisfy both parts of the chain principle. But the cost of an offer to the minorities – estimated at about £6bn ($9bn) – has driven the suitors to alternative strategies. The favoured route appears to be a reverse takeover in which C&W takes control of BT, which is roughly twice its size in terms of market capitalisation.

This might satisfy the technicalities of the takeover code. But it would present Hong Kong's takeover panel with a decision on whether the spirit of the code had been breached. The chances of such an interpretation would be increased if BT shareholders ended up with a majority stake in C&W and if top management had a strong BT membership.

In juggling these considerations, the takeover panel would take into account the implications for minority shareholders. For the moment, investors are guarded about their stance. "Before an offer it is premature to give a verdict", says a UK-based fund manager. "It is a question of weighing expectations of a control premium and the business pros and cons."

Mr Peter Everington, chairman of Regent Fund Management in Hong Kong, plays down the problems for minorities, pointing to the potential benefits from the formation of a powerful international group. These range from greater investment resources and purchasing economies to the sale of BT products, including those of its Concert joint-venture with MCI of the US.

On the management front, a merger could resolve the strategic drift at C&W following the boardroom battles of last year and the departure of the chairman and chief executive. "Accelerating the demise of the company arguably makes sense from a shareholder value perspective," says Mr Adam Quinton, regional telecoms analyst at Merrill Lynch in Singapore.

But for some investors, there are potential risks in a merger which warrant a premium for a change in control. "There is the licence question and the much bigger question about China," says one small investor. Concerning the licence for international direct dial calls, issued as a monopoly to Cable & Wireless (Hong Kong), a change in control of the licence-holder requires government approval.

Most observers play down the threat from this source. "100 per cent foreign ownership is allowed in Hong Kong and the liberal philosophy of the regulator should enable a smooth transfer," says one telecoms consultant. He adds that a reverse takeover could eliminate the need for approval by leaving control of the licence unchanged.

But as Hong Kong approaches next year's handover to China, the stance of the territory's government is not the only consideration. Although the treaties governing the transfer of sovereignty contain no provisions for Chinese approval of telecoms operators or licences, Beijing has proved assertive in large contracts spanning the handover.

Construction of a new container terminal was stalled for more than two years because of Beijing's opposition.

Mr Quinton at Merrill Lynch believes China would seek to exert its influence in the case of Hongkong Telecom, perhaps by pushing for a role in the approval process. That is not the only risk: Hongkong Telecom and C&W have built a strong relationship with China's Ministry of Post and Telecommunications, vital to expansion on the mainland and to offsetting local pressure to end its international monopoly. How such ties would be affected by a merger with BT remains a significant question.

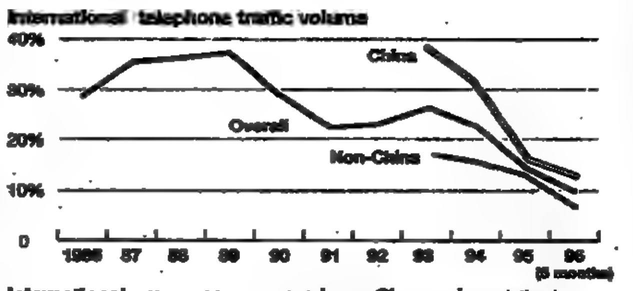
With the handover looming, Beijing will not welcome a reminder of British control of a Hong Kong monopoly in a strategic sector. There is the added risk that the issue, like the new container terminal, could become hostage to diplomatic disputes between Beijing and London.

The balance of risks and rewards provides little cause for celebration for Hongkong Telecom shareholders. "The immediate upside for Hongkong Telecom investors is pretty limited," says one telecoms analyst, although he sees longer term gains from membership of a global group. For the moment, the lawyers at work on the regulatory obstacles seem more certain to profit.

John Ridding

Calling up the numbers

International telephone traffic volume

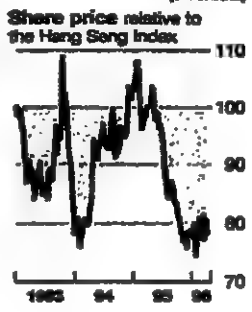


International revenues compared

Per cent

	1993	94	95	96	97
			Estimates		
HK Telecom	65	62	61	59	59
PLDT	66	62	59	54	53
Singapore Telecom	53	52	52	52	51
TelecomAsia	2	7	9	10	11
Telekom Malaysia	25	25	25	24	24
TT&T	2	2	4	4	4

Share price relative to the Hang Seng Index



Source: SBC Warburg; FT Extel

NEWS DIGEST

NEC set to join Taiwan venture

Teco Electric and Machinery, a leading Taiwanese appliance and machinery maker, yesterday said it planned to join forces with NEC, the Japanese electronics concern, and other Taiwanese partners to build a T$20bn (US$736m) cathode ray tube plant in Taiwan. Teco is to take a 40 per cent stake in the venture, NEC is to hold between 10 per cent and 15 per cent, and two Taiwanese concerns – the diversified Koo's Group and United Microelectronics Corp, a manufacturer of integrated circuits – will own the remainder.

Cathode ray tubes, or picture tubes, are an important component in computer monitors and television screens. Construction of the plant is set to begin in mid-1996 and production is expected to start in the second or third quarter of 1998. *Laura Tyson, Taipei*

CPC sell-off to begin next year

The Taiwan government plans to begin selling shares in the state oil monopoly, Chinese Petroleum Corp next year and aims to privatise the company by 2000. In Taiwan, a company is legally considered privatised if the government stake is below 50 per cent. A government official said the sale could raise up to T$23.9bn for government coffers, depending on market conditions.

CPC has long been a cash cow for the government, but plans to open up the oil products market to the private sector in the near future threaten to make the oil group less competitive. From July 1995 to March 1996, CPC posted pre-tax profits of T$14.1bn, against T$12.9bn, helped by an increase in sales to T$240.4bn from T$223.98bn a year earlier. *Laura Tyson*

Gasgoyne endorses Coeur bid

Directors of Gasgoyne Gold Mines, the Western Australian goldminer, yesterday threw their support behind the A$170m (US$133m) cash-and-shares offer for the company from Idaho-based Coeur d'Alene Mines. Sons of Gwalia, another Australian gold miner, has made a rival, all-paper offer.

But, despite endorsing the Coeur offer, directors said they had reservations about both bids. "In particular, we are concerned whether Gasgoyne shareholders who accept either the bid from Sons of Gwalia or the bid from Coeur will be able to realise the current market price for the shares they will receive," they said. However, they added that: "The cash component of the Coeur offer gives certainty to the value of part of its offer."

Gasgoyne's main assets include a 50 per cent interest in the Yilgarn Star project in Western Australia, and the Awak Mas project in Indonesia. *Nikki Tait, Sydney*

Glencore re-issues offer details

Glencore, the Swiss-based commodity trading group, was yesterday obliged to re-issue its takeover announcement and documentation for Cumnock Coal, the Australian coal producer, as a result technical queries raised by the Australian Securities Commission. The new announcement maintains the same on-market offer price – A$2.50 a share – but changes the offer period from April 17 to May 16. Cumnock's independent directors have indicated that they believe the offer is too low. *Nikki Tait*

Signet's UK disposals may raise up to £300m

By Simon Kuper

The potential for profits to at least double at Signet's UK jewellery chains will probably produce a sale price of close to £300m ($456m), according to analysts.

One estimated the profit margin of the Ernest Jones and H Samuel chains at 3 per cent, before tax and interest, against an average of 10 per cent for the UK jewellery sector.

The two businesses contributed operating profits of £11.4m on sales of £371m – about 40 per cent of the group total – for the year to January 28. This year analysts expect operating profits of £15m on sales of £330m.

Signet is this week expected to draw up a shortlist from among the bidders. The company is likely to announce the winner by next month at the latest.

If Goldsmiths, the jeweller, or Argos, the catalogue retailer, bought the chains, they could save several million pounds on head office costs, analysts said. Goldsmiths and Argos may split the takeover, with the former taking Ernest Jones and the latter H Samuel.

Analysts forecast the price for both chains at £250m-£300m. Signet owes about £100m in unpaid preference dividends and about £250m in bank debt. At yesterday's price of 31p, up 2p, Signet's market value is £90.7m.

Deutsche Morgan Grenfell, the investment bank acting for Signet, has tried to dispel fears that Mr James McAdam, Signet chairman, is seeking a higher price than anyone has offered. One shareholder said the bidders had spent so much on advisers that it would be hard for Signet not to sell. Also, shareholders could revolt at May's annual meeting.

However, Signet will probably only sell to a bidder which it is sure can raise the funds. This might affect the chances of Mr Gerald Ratner, head of Signet when it was called Ratners, who has been raising money for a bid.

Many in the City believe a takeover of Ernest Jones and H Samuel would benefit all UK jewellers. A debt-free buyer could invest in advertising and marketing. Mr Jurek Piasecki, Goldsmiths chairman and chief executive, says this could draw consumers away from other gifts towards jewels.

Bank of Yokohama still long way from receiving a return on its £200m investment

Guinness Mahon recovery strategy is bearing fruit

By George Graham, Banking Correspondent

Guinness Mahon, the London merchant bank, has returned to profitability for the first time since its 1991 takeover by Bank of Yokohama, the leading Japanese regional bank.

The merchant bank, one of the most prominent casualties of the property lending excesses of the 1980s, does not disclose profit details.

But Mr David Potter, chief executive, said the bank had met financial targets set for it in 1992 by its Japanese parent: a return to operating profit by 1993; a pre-tax profit by 1995; and a complete work-out of its portfolio of problem loans.

"This recovery has been quite lengthy, but the length was an agreed approach between us and our shareholder," Mr Potter said.

Group revenues have revived to about £60m ($90m) with some £20m coming from the Guinness Flight fund management subsidiary, £27m from Henderson Crosthwaite institutional and private client stockbroking businesses, and the rest largely from banking.

It achieved a pre-tax profit in 1994, but only after exceptional gains on the sale of its benefit consultancy to Abbey National and of the Irish banking operation to Irish Permanent.

Nevertheless, Guinness Mahon is still a long way from offering Bank of Yokohama a return on its investment of almost £200m. Yokohama bought its initial stake for £66m from New Zealand's Equity Corp, then underwrote a £50m rights issue in 1991, spent another £12m to buy out minority shareholders and finally injected an estimated £85m in 1992.

Most of Guinness Mahon's problems were in its lending operations. Guinness Flight and Henderson Crosthwaite remained consistently profitable. The group now minimises the importance of lending in its activities. But the group, which by 1991 had seen its roster of listed clients drop to four, has developed an active corporate finance business, concentrated on companies in the £10m to £150m range.

Trevor Humphries

David Potter: meeting financial targets set by parent in 1992

Soros buys 3.6% of CLM Lloyd's fund

By Patrick Harverson

Mr George Soros, the US-based hedge fund manager, has spent about £3.5m ($5.3m) acquiring a 3.6 per cent stake in CLM Insurance Fund, the Lloyd's investor.

The purchase pushed CLM shares up 3½p to 108p. Analysts and Lloyd's professionals said it was a vote of confidence in the troubled insurance market.

Mr Soros is not the first US-based investor to buy a stake in Lloyd's. Last month, Warburg Pincus, the US investment bank, spent £21m acquiring 26.7 per of Cox Insurance Holdings, another of the new corporate investment vehicles.

When *CLM* was set up three years ago, it was the first corporate vehicle to allow institutions and individuals to invest in Lloyd's via a traditional-type fund. Previously, individuals could only participate directly as "Names", whose assets were available to insure the market's risks.

Lex, Page 16

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dewhirst	Yr to Jan 12	278.9	(247.3)	22.3	(17)	11.61	(8.91)	2.6	July 1	2	3.6	2.65
Moorepay ɸ		-		-		-		1½	Apr 30	0.8	-	4.4
Mountcashel ɸ	9 mths to Jan 5 ‡	-	(0.038)	0.033♥	(8.96♠)	0.01L	(3.59L)	-	-	-	-	-
Torday & Carlisle	Yr to Dec 31	27.1	(28.9)	0.25L♠	(0.93L♠)	1.6L	(5.2L)	nil	-	nil	nil	nil
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Henderson American	Yr to Feb 29	59.23	(43.01)	0.668	(0.598)	8.91	(7.97)	2.4	May 22	2.4	7.8	7.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ɸAim stock. ✠First interim. ‡Comparatives for year to March 31 1995.

DIGEST

Ferguson makes £37.6m disposals

Ferguson International, the mini-conglomerate, yesterday announced the disposal of its coat hanger and electronic components businesses in deals worth a total of £37.6m ($57m). However, exceptional charges relating to the disposals will wipe out pre-tax profits for the 12 months to February 29.

The hanger business is being sold for £12m to Mauna, a Dutch hanger manufacturer, which will also assume £6.3m of debts. A private US finance company paying $29.5m for the communications components division, which supplies electronic components to the US cable industry.

Ferguson will use part of the proceeds to acquire Label Image Holdings, based in Gwent for £5.25m plus £3.25m of debt. *Christopher Price*

Devro sells US unit

Devro International, the sausage casing maker that bought Teepak International last year, is to sell its Devro America unit to Nitta Gelatin of Japan for $26m.

The sale was required by the US Federal Trade Commission as a condition of allowing Devro's purchase of Teepak, the US casing maker, which more than tripled Devro's sales and gave it a strong presence in the US.

CINVen bids for Redland bricks

CINVen, the venture capital company, has emerged as a bidder for the UK brick business of Redland, the building materials group. Redland hopes to raise £250m ($380m) from the sale of its UK brick division to help finance the expansion of its aggregates and roof-tiles operations. *Simon London*

Low & Bonar US talks end

Low & Bonar has pulled out of negotiations to acquire Rotonics Manufacturing, the plastic moulding company, at $2.34 a share, valuing the company at about $33m.

Rotonics said it was terminating its agreement as another party was interested in the acquisition but at a higher price. Low said it was unwilling to increase the price but warned that it would be "pursuing its legal rights" against Rotonics under the agreement in principle.

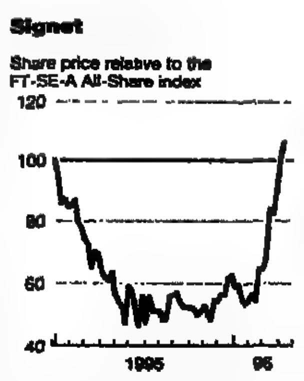
MAM stake in Russian nickel

Mercury Asset Management's World Mining Investment Trust has made its first investment in Russia by taking a stake in Norilsk, the world's biggest nickel producer. The £3.5m ($5.32m) investment represents under 1 per cent of funds under management and Mr Graham Birch, the fund manager said: "Our exposure is very limited but there is potential for enormous gains in the next few years if some of the problems of doing business in Russia fade away. *Kenneth Gooding*,

LEX COMMENT

Signet

The healthy interest in Signet's UK jewellery chains has done wonders for the group's share price. The ordinary shares have doubled to 31p in less than two months. This compares with the 20p offer made by rebel preference shareholders last May. But can that price be justified? Selling the UK chains, which generate about 40 per cent of group turnover, is a good start. With a positive Christmas trading statement under his belt, Mr James McAdam, chairman, has attracted half a dozen bidders and should now get close to £300m. That would allow the group to repay most of its £320m to £350m of bank borrowings. Signet would be left as the second-largest multiple jeweller in the US, turning over in excess of £550m and with like-for-like sales growth of 10 per cent last Christmas.



Source: Datastream

Given rising margins, its operating cash flow could reach £65m this year. Its main rival, Zale Corporation, which reported less buoyant Christmas sales, is currently valued at 10-11 times operating cash flow. Even using a more conservative 8-9 times cash flow, that would give a debt-free value of £520m to £585m.

Balanced against that are obligations to preference shareholders of nearly £500m including £130m of dividend arrears. That means they will still pick up the lion's share of value in any capital reconstruction. Assuming preference holders are repaid 90 per cent of what they are owed – half-way between the negotiating positions of rebels and management when talks last broke down – that would leave ordinary holders with a stake worth £70m to £135m or between 24p and 46p a share.

COMMODITIES AND AGRICULTURE

Shortages forecast to drive up aluminium prices

By Kenneth Gooding, Mining Correspondent

The aluminium industry has left it too late to avoid severe supply difficulties in 1998 and 1999 and this will send prices high enough for the metal to become "dangerously uncompetitive" for a time, says the Anthony Bird Associates consultancy in its latest annual review of the market.

This uncompetitiveness compared with copper, steel and plastics will "dent aluminium's growth badly" in 2000 and 2001. Even so, Bird has only slightly reduced its estimate of average annual primary aluminium demand growth to 3.6 per cent during the years between 1990-2006.

Prices needed to justify new primary aluminium smelting capacity range between US$1,705 and $1,908 a tonne, Bird suggests. By 1998 and 1999, when the smelter shortage will be at its most severe, prices are predicted to rise to $2,400 to $2,600.

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes		
Aluminium	+6,100	to 757,025
Aluminium alloy	+500	to 80,800
Copper	−1,950	to 317,425
Lead	−1,775	to 89,975
Nickel	−96	to 34,710
Zinc	−3,575	to 623,950
Tin	+60	to 9,210

"In these situations it is very difficult to judge just how high prices might go," says Mr Tony Bird, author of the review. "1988 is an interesting precedent. On that occasion, actual market prices rose some 80 per cent above their cost-justified level for a time."

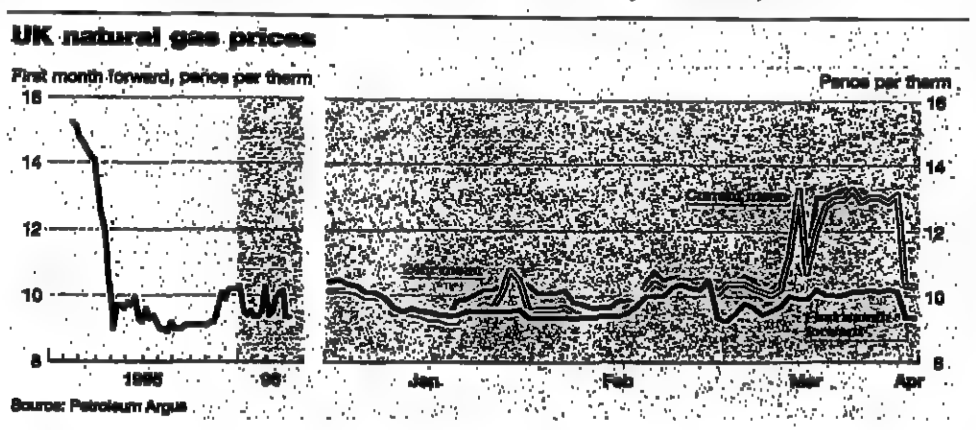
Smelters eventually will be built but the industry's reluctance to invest is so deep-seated that Bird expects prices to remain above $1,705 a tonne for some years after the supply tightness bites. However, for 1996 it is predicting a price averaging $1,671.

Mr Bird says: "Aluminium companies have been very slow to accept the view that the world has changed in their favour. They still base their planning on low rates of demand growth, cautious estimates of aluminium prices and they want to see high rates of return before they will invest in new capacity.

Bird sees primary aluminium capacity in the western world growing at only 1.3 per cent a year into the next century, whereas it estimates a growth rate of 3.6 per cent is required to meet forecast demand. Russian exports to the west, which jumped from under 500,000 tonnes to 2.3m tonnes, have saved western producers the need to build eight new smelters. "However, there is no chance of yet a further increase in net eastern supply. Russia is now exporting as much as it possibly could."

Aluminium Annual Review: £1,130 from Anthony Bird Associates, 193 Richmond Road, Kingston upon Thames, Surrey KT2 5DD, UK.

UK natural gas prices



Source: Petroleum Argus

The Financial Times today begins publishing a daily spot price for UK natural gas, marking the rapid expansion of gas trading with the opening up of the UK supply business to competition, writes David Lascelles.

The price, supplied by Petroleum Argus, is the first month forward price for gas landed at Bacton, Norfolk, quoted in pence per therm. It appears in the London spot markets section below.

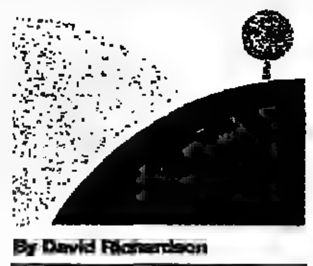
The accompanying charts illustrate the history of price movements since the beginning of 1995. The sharp fall seen in the first quarter of last year came with the opening stages of market liberalisation. More recently, the sharp fluctuations since the beginning of March reflect the introduction of the Network Code governing relations between independent gas suppliers and Transco, the arm of British Gas that operates the pipeline network.

The code lays down the rules under which independent companies have to supply gas to the system to balance their customers' demands. This has created some uncertainty and given a sharp stimulus to trading.

Government turns a drama into a crisis

Ministers failed totally to foresee public reaction to the possibility of humans catching BSE

FARMER'S VIEWPOINT



By David Richardson

As plans are considered for the slaughter of hundreds of thousands, perhaps millions, of UK cattle in an attempt to rebuild shattered public confidence in beef, serious questions persist. Will it work? And does the real, as distinct from the imagined, threat to health justify the action?

Scientists continue to speculate on the causes of Creutzfeldt Jakob Disease. Eating beef offal contained in burgers and the like is still only circumstantially implicated and the number of cases of what has come to be called the human form of Bovine Spongiform Encephalopathy, or "mad cow disease" remains statistically insignificant.

"Balance of probability" is so far the only measure of risk on which consumers can base their buying decisions. Indeed, that inadequate basis, as interpreted by scientists from Ministry of Agriculture, Food and Fisheries, has been all that farmers have had available to them since the BSE problem reared its ugly head in the early 1980s.

I tend to agree with the National Farmers' Union that, given the fear that has been generated over the last few weeks, incineration of old, selected animals is the only thing that may attract some consumers back to beef. I am not convinced, however, that the risk to human health justifies it. What makes it necessary is the way the issue has been handled.

I should make it clear that I am not a beef producers and am therefore able to consider the situation relatively dispassionately.

I say relatively because my production consists mainly of arable crops and pigs. Pig values have increased temporarily as consumers have turned to pork instead of beef, so cash returns will benefit modestly. But the cost of feeding them has increased because of the ban on meat and bone meal in their rations. Moreover, both beef cattle and dairy cows, which will be affected by the slaughter, eat cereals and any significant reduction in the national herds will ultimately cut demand and price. I expect that these bearish factors will more than cancel out any gain from the pigs. However, this is a mere pin-prick of a problem compared with the trauma faced by specialist beef producers, many of whom have never seen BSE in their stock, and dairy farmers with BSE infected cows.

As they face a still uncertain future they are asking how the government could have failed so totally to forecast public reaction to the health minister's announcement that BSE just might be transmissible to humans; why he blurted out the possible problem before pausing to plan fully how to deal with it in decisive ways that would have convinced most consumers that beef remained safe; and why such comprehensive plans were not announced at the same time as the problem rather than being piecemeal and dribbled out in an apparently reactive way, allowing the world's press to feed on the story day after day and led to the ban on exports of beef from the UK.

Why, they ask, after all the well-publicised examples of ministers being found to be economical with the truth, did the government think that on this issue its assurances would be believed?

The fact is that beef and dairy farmers, like consumers, feel themselves to be helpless victims in the whole sorry affair. While there may, in the opinion of some scientists, be a possibility that a tiny number of consumers could have developed CJD as a result of eating beef, there is a strong probability that some farmers livelihoods will be lost forever. People who work at any point in a food chain involving beef face the prospect of a similar bleak future.

But that is not the way some commentators see it. In this and other newspapers it has been alleged that the BSE crisis is the fault of modern, fat cat farmers who, in their urge to maximise profit, have broken the laws of nature of feeding animal wastes back to animals.

To the lay observer that may be how it appears, but I can well remember shovelling meat and bone meal into cattle rations during and just after the second world war. It was a common practice that was acceptable in those less politically correct times. It was a way of using waste products profitably that had been common for many years before that and is still common across the world. What changed in the UK in the early 1980s was the relaxation of rendering regulations, which, presumably, allowed the survival of organisms that had been destroyed by the previous methods. And that relaxation, once again, was ultimately the responsibility of the government and its advisers.

Some of the current antagonism to farmers can clearly be attributed to the popular image that the industry is doing well at present. Indeed, it was recently revealed in the MAFF publication "Farm Incomes in the United Kingdom 1994-95" that 1995 was a very good year for agricultural incomes. Paradoxically, however, while the incomes of arable farmers are estimated to have increased by 32 per cent last year compared with 1994, those of dairy farmers fell by 15 per cent; those of cattle and sheep farmers in less favoured areas fell by almost 25 per cent; and those of lowland cattle and sheep farmers fell by 23 per cent. In other words BSE and its consequences is hitting them when they are down.

The tragic situation also encapsulates some irony.

A few days ago I received a press release from the Fertiliser Manufacturers Association, an organisation that represents chiefly the manufacturers of non-organic, chemical fertilisers that are the focus of frequent criticisms from those who favour "green" farming for what such fertilisers are alleged to do to the environment and water supplies. This document, however, was issued in response to suggestions that meat and bone meal used as fertiliser might run off the land into water courses and was "to reassure farmers, growers and the public that all agricultural fertilisers use mineral sources of nutrients".

ERA submits uranium plan

By Nikki Tait in Sydney

Energy Resources of Australia, a subsidiary of the Melbourne-based North group, yesterday formally submitted its controversial proposal to develop a new uranium mine at Jabiluka in the Northern Territory.

The cost of development of the new mine, which lies fairly close to ERA's existing Ranger uranium production complex, has been estimated at around A$70m (US$55m).

If the mine went ahead it would be the 'first new uranium production unit in Australia for over a decade – new developments having effectively been banned under the years of Labour Party rule that ended with the March 2 federal election.

The proposal is highly sensitive, however, partly because of objections from anti-nuclear activists, and also because the mine site lies within Kakadu National Park, now a World Heritage area because of its natural features. Environmental groups are planning public rallies and looking into possible legal moves that might stall development of new mines.

The ERA mine is one of a handful of potential projects that could get off the ground if the new conservative federal government takes a more liberal approach to uranium mining.

MARKET REPORT

Gold's early rise pared

The GOLD drifted lower yesterday afternoon when scant follow-through buying to Monday's rally materialised in the New York market.

The market came off about $2 from morning levels before finding support around $396 a troy ounce and stabilising. It closed at $396.80, up $3.30 from the pre-Easter level.

Sentiment remained positive, but one trader commented: "We're going to need to see some good follow through or we'll be drifting back down again."

At the London Commodity Exchange cocoa futures also surrendered early gains. New York-led speculative profit taking took the May delivery price to £974 a tonne, down £11 on the day, compared with a morning high of £988.

"There wasn't any volume on the buy side," said a trader.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1599-600	1633-4
Previous	1605-6	1637-8
High/low	1604/1600.5	1640/1631
AM Official	1604-4.5	1636.5-7
Kerb close		1631-32
Open int.	217,778	
Total daily turnover	38,457	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1360-70	1400-05
Previous	1365-75	1405-10
High/low		1405
AM Official	1360-70	1400-10
Kerb close		1400-10
Open int.	8,842	
Total daily turnover	657	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	837-8	807-8
Previous	835-7	800-1
High/low	838/832	809/802
AM Official	835.5-7.5	807-8
Kerb close		805-6
Open int.	37,944	
Total daily turnover	8,838	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8030-40	8120-30
Previous	8040-50	8130-35
High/low		8145/8040
AM Official	7985-95	8080-81
Kerb close		8050-60
Open int.	40,246	
Total daily turnover	8,758	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6425-30	6450-55
Previous	6395-405	6430-40
High/low	-	6470/6410
AM Official	6400-10	6430-40
Kerb close		6405-15
Open int.	17,474	
Total daily turnover	3,264	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1055-55.5	1080-80.5
Previous	1056.5-7.5	1080-1
High/low		1081/1078
AM Official	1062.5-53.5	1077-78
Kerb close		1077-78
Open int.	67,946	
Total daily turnover	11,400	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2486-87	2477-78
Previous	2488-90	2479.5-80.0
High/low	2486	2485/2474
AM Official	2485.5-87.5	2478-79
Kerb close		2475-76
Open int.	170,926	
Total daily turnover	64,210	

■ LME AM Official £/$ rate: 1.5251
LME Closing £/$ rate: 1.5248

Spot: 1.5247 3 mths: 1.5229 6 mths: 1.5210 9 mths: 1.5193

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	113.10	−0.50	113.90	113.05	157	2,415
May	113.05	−0.30	113.90	113.00	2,300	18,968
Jun	112.40	−0.20	113.30	112.40	29	979
Jul	112.05	−0.05	112.70	112.00	492	8,596
Aug	111.55	+0.05	-	-	5	542
Sep	111.05	+0.15	111.70	111.00	81	3,454
Total					3,199	42,395

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	396.60-397.00		
Opening	398.00-398.40		
Morning fix	397.60	260.26	476.01
Afternoon fix	396.30	259.87	477.94
Day's High	398.10-398.50		
Day's Low	395.90-396.20		
Previous close	393.25-393.75		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.89	6 months	3.83
2 months	3.90	12 months	3.79
3 months	3.90		

Silver Fix	p/troy oz.	US cts equiv.
Spot	554.50	363.00
3 months	560.65	367.60
6 months	566.90	372.00
1 year	580.35	381.90

Gold Coins	$ price	£ equiv.
Krugerrand	396.5-397	260-261
Maple Leaf	407.30-409.85	
New Sovereign	93-96	61-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US gall.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	88,152

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	123.75	−1.20	124.70	123.75	163	2,976
Jul	126.75	−0.95	127.75	126.75	121	968
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					110	4,834

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Close	Prev
BFI	1467	1456

FUTURES DATA
All futures data supplied by CMS.

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 3,430-3,600. Bismuth: min. 99.99%, tonne lots 3.80-4.00. Cadmium: min. 99.95%, 140-155 cents a pound. Cobalt: MB free market, 99.8%, 28.30-28.90 (28.50-29.00); 99.3%, 26.70-27.30 (26.50-27.30). Mercury: min. 99.99%, $ per 76 lb flask, 170-180. Molybdenum: drummed molybdic oxide, 3.60-3.90. Selenium: min 99.5%, 3.45-4.00. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 52-62. Vanadium: min. 98%, cif, 2.98-3.10 (2.95-3.10). Uranium: Nuexco exchange value, 13.50.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	975	−10	988	972	374	14,765
Jul	998	−7	1011	995	2,010	23,719
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
[illegible]	[illegible]	[illegible]

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
[illegible]	[illegible]	[illegible]

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	128.40	−1.25	128.50	128.30	74	[illegible]
Nov	125.50	−0.80	125.50	125.50	4	794
Jan	123.25	−0.75	124.00	123.00	51	2,959
Mar	125.25	−0.70	125.00	125.00	-	176
Total					2,699	24,214

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 9	Apr 4	month ago	year ago
2111.1	2109.7	2132.4	2319.5

■ CRB Futures (Base: 1967=100)

Apr 8	Apr 4	month ago	year ago
258.96	254.72	248.47	236.45

■ GSCI Spot (Base: 1970=100)

Apr 8	Apr 4	month ago	year ago
214.05	213.39	193.68	182.28

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	62.850	−0.825	63.700	62.825	5,435	15,979
Jun	62.650	−0.75	63.850	62.400	7,967	35,818
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	55.350	−1.025	56.075	54.875	1,525	7,103
Aug	51.450	−1.3	52.700	51.250	1,208	5,898
Oct	47.900	−1.3	49.400	47.700	778	3,713
Dec	48.950	−1.425	50.375	48.875	604	2,858
Total					11,228	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	75.125	−1.275	78.350	74.900	1,580	5,831
Jul	74.675	−0.9	77.575	74.575	1,089	3,854
Aug	71.925	−0.85	74.575	71.850	221	1,160
Feb	68.550	−1.4	71.950	68.400	10	310
Mar	69.000	−1.3	72.300	69.000	3	8
May	71.500	+0.5	73.000	71.500	1	1
Total					2,965	11,087

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	May	Sep	May	Sep
1500	113	171	3	22
1600	30	105	17	53
1700	3	58	89	104
■ COPPER (Grade A) LME	**May**	**Sep**	**May**	**Sep**
2400	94	105	8	69
2500	27	58	40	120
2600	4	30	118	188
■ COFFEE LCE	**May**	**Jul**	**May**	**Jul**
1850	48	117	30	137
1900	26	98	58	168
1950	12	82	94	202
■ COCOA LCE	**May**	**Jul**	**May**	**Jul**
875	100	131	-	8
900	75	111	-	13
925	51	92	1	19
■ BRENT CRUDE IPE	**May**	**Jun**	**May**	**Jun**
1850	-	-	-	40
1900	-	87	-	60
1950	123	69	-	85

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$17.58-7.68x	-0.08
Brent Blend (dated)	$21.40-1.42	+0.56
Brent Blend (May)	$20.73-0.75	+0.59
W.T.I.	$23.16-3.18x	-0.285
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$218-219	+8
Gas Oil	$193-195	-1
Heavy Fuel Oil	$107-109	
Naphtha	$198-202	+4.5
Jet fuel	$215-217	+1
Diesel	$195-196	-5.5
■ NATURAL GAS (Pence/therm)		
Bacton (May)	9.30-9.40	+0.05

Petroleum Argus. Tel. London (0171) 359 8792

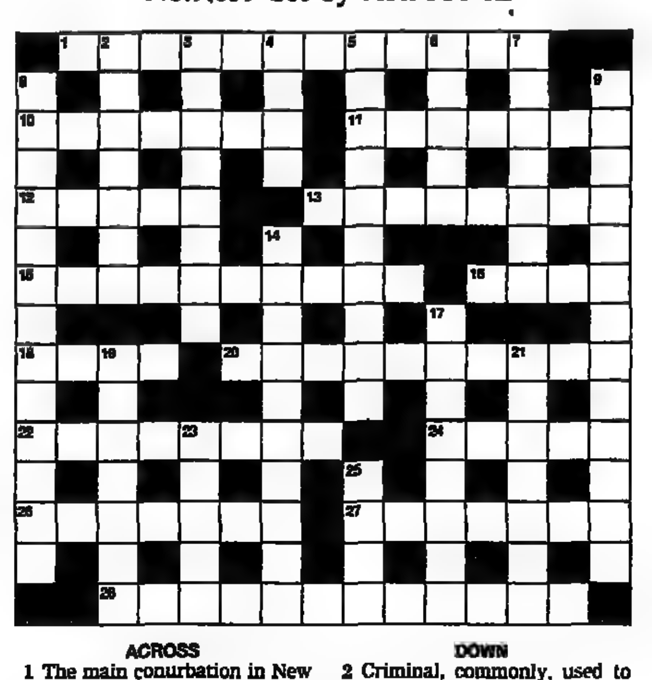
■ OTHER		
Gold (per troy oz)♣	$396.80	+3.30
Silver (per troy oz)♣	559.50c	+7.00
Platinum (per troy oz.)	$408.75	+2.00
Palladium (per troy oz.)	$139.50	-0.50
Copper	119.0c	-4.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.98r	+0.09
Tin (New York)	302.5	+2.0
Cattle (live weight)	103.52p	-1.37*
Sheep (live weight)	189.40p	+20.07*
Pigs (live weight)†	114.45p	-8.98*
Lon. day sugar (raw)	$312.9	+4.4
Lon. day sugar (wte)	$428.5	+13.5
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	185.5	
Wheat (US Dark North)	Unq.	
Rubber (May)♥	97.50p	
Rubber (Jun)♥	97.50p	
Rubber (KL RSS No1)	367.00m	-11.00
Coconut Oil (Phil)§	$755.0v	+17.5
Palm Oil (Malay.)§	$530.0	-17.5
Copra (Phil)§	470.0v	
Soyabeans (US)	228.0v	+9.0
Cotton Outlook'A' index	84.20c	+0.95
Wooltops (64s Super)	444p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x May. v Apr/May. y Apr/Jun. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,985 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,039 Set by ARMONIE



ACROSS

1 The main conurbation in New Jersey (6,4)
10 One remains in bed being embarrassed (7)
11 Pupil's in time to get support for school subject (7)
12 Imagine putting the last of the ice in a drop of Scotch (5)
13 Masters of the household, on horseback, taking flight (8)
15 Trousers and shoes put in a carrier (6,4)
16 Quaint hairstyle disguises oriental (4)
18 Cherish a desire for a dance before the end of the rave (4)
20 Firms get Greek character to work making soap ingredient (7,3)
22 Regional throne toppled by sailors (8)
24 Suggest the Italian returned drunk (3,2)
26 UN promise, to return to quarters, is not fabricated (7)
27 Elite RA worked in studio (7)
28 Old prime minister's plot to create heaven on earth (6,2,4)

DOWN

2 Criminal, commonly, used to make a hot drink (4,3)
3 Bah! Alarm goes off in Spanish citadel (8)
4 A trend for heartless invective (4)
5 Cope with laying out a moving target (4,6)
6 One initially noticed and picked up a bar (5)
7 A lad gets over a common mistake – being uncouth (7)
8 Cakes provided by trusty servants (5,2,6)
9 Chap's getting a large expanse to leave his car. That's novel! (9,4)
14 An extreme dislike for activated carbon, here (10)
17 Sikes's dog is sweet (5-3)
19 Scold fairy over hairpiece (7)
21 To survive being exhausted and getting up ill (7)
23 Linger in Sussex town on river (5)
25 Weaken, having no pudding (4)

Solution to Saturday's prize puzzle on Saturday April 20.
Solution to yesterday's prize puzzle on Monday April 22.

INTERNATIONAL CAPITAL MARKETS

Europe overcomes effects of Friday's sell-off in US

By Samer Iskandar and Richard Lapper in London and Lisa Bransten in New York

Fears that last Friday's sell-off in the US Treasury market would immediately spill over into Europe have proved to be unfounded. Yesterday, despite opening slightly weaker, most European markets recovered, with the German market showing showing unexpected resilience.

Some analysts argued that the German market was breaking free from its dependence on the US market and said the future performance of both the US and European markets would more faithfully reflect respective economic fundamentals. Boosted by the strength of the dollar, high-yielding European markets again outperformed Germany.

■ German government bonds opened well below last week's closing levels, but recovered most of their losses during the trading session and ended only slightly down. Liffe's June bund contract settled at 96.25, down 0.45, after trading as low as 96.10.

In the cash market, the 6 per cent bund due 2006 closed down 0.39 point at 96.78. Its yield, at 6.45 per cent, was 24 basis points lower than the annualised yield of the 10-year US Treasury.

GOVERNMENT BONDS

This led several analysts to predict the end of European markets' "coupling" with the US. Mr Philippe Brossard, head of research at ABN Amro Finance in Paris, said he had been expecting this cross-over of US and German yields for some time, given that "underlying inflation in Germany has been lower than in the US". He said that historically the spread of bunds over treasuries was mostly negative. The premium demanded by investors on bunds in the past few years was mostly due to uncertainty surrounding the cost of German reunification.

■ French OATs also closed off their lows, although they were weak in early trading. Matif's June notional contract settled at 121.78, down 0.06, but off its intra-day low of 121.53. In the cash market, the 7.25 per cent OAT due 2006 slipped by 0.08 point to 104.72, yielding 6.59 per cent. The spread over 10-year bunds stood at 14 basis points, near its recent lows.

Mr Brossard believes that, short of a dramatic shift in expectations of monetary union, a French-German yield spread of between zero and 20 basis points is a "fair level", given current economic fundamentals.

■ In line with the wider European trend, UK gilts opened lower but then regained ground steadily during the day. The market was buoyed by slightly weaker than expected manufacturing output figures, the strength of sterling and the early strength of Treasuries in the US. But volume was thin, with many investors continuing to stay on the sidelines.

At Liffe the June long gilt contract opened nearly a point down after Friday's sell-off in New York, fell further in early trading to touch a low of 104$\frac{23}{32}$, and then recovered settling at 105$\frac{9}{32}$, down $\frac{18}{32}$ on Friday's close. Only 28,045 June long gilt contracts were exchanged, however.

The June short sterling contract also recovered during the day settling at 93.94, down 0.02, but off the day's lows of 93.90.

Back months contracts were harder hit, with June 1997 short sterling falling by 0.10 to 92.51, a price which discounts a 1½ per cent rise in base rates over the next 15 months.

In the cash market the 10-year yield spread over Germany widened marginally to close at 178, one basis point wider than at Thursday's close.

■ European high yielding markets continued their recent pattern, with Italy and Spain outperforming Germany. The strength of the dollar and the weakness of D-Mark-euro crosses was one of the reasons. Dealers also cited domestic factors ranging from optimism about the prospects for a Popular party government in Spain, and hopes for interest cuts in Italy after this month's general elections, to lower inflation in both countries.

At Liffe, the June BTP contract settled at 109.89, up 0.20, and more than a point off its lows, while at Meff the June bono settled at 96.64, having gained three quarters of a point on the day. Ten-year yield spreads over Germany narrowed further, standing at 305 basis points for Spain and 411 for Italy.

■ A stronger dollar helped US Treasury prices stabilise in quiet trading early yesterday after four sessions of declines.

Near midday, the benchmark 30-year Treasury was $\frac{1}{8}$ stronger at 89$\frac{1}{32}$ to yield 6.860 per cent. At the short end of the maturity spectrum, the two-year note was up $\frac{1}{16}$ at 100$\frac{1}{8}$, yielding 6.058 per cent. Since last Friday the yield on the long bond – which rises as the price falls – has jumped 26 basis points.

The stronger dollar gave some support to the market as investors sought an opportunity to buy Treasuries with newly higher yields. In early trading the US currency was changing hands for Y108.21 and DM1.4925 against Y107.71 and DM1.4815 late on Monday.

A stronger dollar is considered supportive of the bond market because it makes dollar denominated securities more attractive to investors outside the US.

Mr John Spinello, a fixed income strategist at Merrill Lynch, said the market seemed to be in a consolidation period after the sharp losses the market has experienced since the middle of last week.

Important factors on the market yesterday were the results of the afternoon auction of five-year notes and the release tomorrow and Friday of figures on consumer and producer prices.

Mr Spinello said this week's inflation figures would be particularly important because price stability was the one remaining pillar of last year's bull market that remained in place.

Most observers believe that the other factors that had created a positive economic environment for bonds – primarily sluggish economic growth and the prospect of further interest rate reductions – disappeared last week after the release of a second consecutive set of strong employment figures.

Flurry of Greek issues as political uncertainty eases

By Richard Lapper

A flurry of Greek state companies and other government guaranteed borrowers are coming to the loan market following the appointment of new government ministers earlier this year and the easing of political uncertainty.

SYNDICATED LOANS

Borrowers, many of whom are refinancing existing obligations, are reducing margins by up to 50 per cent, compared with levels achieved in the first quarter of 1995, and extending the tenor of their loans.

Within the past few days Hellenic Railways Organisation raised a $100m five-year term loan at an all-in cost of 64 basis points over Libor, and Public Power Corporation refinanced a $150m five-year term loan at a margin of 57.5 basis points over Libor, compared with the 90 basis points paid when the deal was first negotiated in October 1994.

Later this week the Athens Urban Area Transport Organisation (OASA) is set to award a hotly-contested mandate to raise $85m, probably with a five-year deal. OASA is tipped to raise funds at an all-in cost of between 55 and 65 basis points over Libor. Ionian Bank, in which the state-owned Commercial Bank of Greece owns a minority stake, is also expected to come to the market to raise $80m in a one-year deal at a margin of 35 basis points over Libor.

Bankers say Greek borrowers were typically obtaining funds at 120 basis points over Libor at this time last year and are tipping the Hellenic Republic to push margins even lower with a $500m-$750m five to seven-year benchmark within the next few weeks.

Japanese banks, including Sanwa Bank, IBJ and the newly merged Bank of Tokyo-Mitsubishi, are all particularly active in bidding for Greek business. Bank of Tokyo-Mitsubishi arranged both the Hellenic Railways and Public Power Corporation deals. Sanwa was joint arranger, with Bank of New York Capital Markets, for a two-year $100m facility for the Commercial Bank of Greece, signed on April 4.

Japanese banks also figure prominently in two of the largest project finance deals to come out of the Middle East. Bank of Tokyo-Mitsubishi is one of eight international banks who were last week awarded a $2.25bn mandate by Oman LNG. Terms and conditions have yet to emerge, although it is understood to be roughly split between a $1.5bn export credit agency–backed portion and a $750m commercial loan. The deal should be completed in the first half of 1997.

IBJ, together with Crédit Suisse, is a joint arranger of a $2.4bn financing for the Ras Laffan LNG project in Qatar. Together with Crédit Suisse, IBJ is banker for the construction groups which won the mandate to build the plant last month.

Separately, Crédit Suisse has won the mandate to raise a $250m stand-by loan for the City of Stockholm. ABN Amro, Deutsche Morgan Grenfell and Enskilda will join as co-arrangers and a group of relationship banks will be asked to participate in the facility, the city's first approach to the syndicated loan market.

Syndicate chosen to launch new French debt instrument

By Samer Iskandar

In a quiet session for international bond issuance yesterday, one transaction stood out.

The French Treasury issued FFr18bn of its new 10-year variable rate notes – the so-called TEC 10 OATs, whose quarterly coupon is linked to the recently-created TEC 10 index, an average yield of fixed coupon OATs with a constant maturity of 10 years.

The bonds were issued via a syndicate, with BNP and Caisse des Dépôts jointly managing the launch. All syndicate members reported very strong demand.

"A total success", was how one participating syndicate manager described the deal.

INTERNATIONAL BONDS

"We placed our allotment in minutes and had to scale-down most clients' orders."

The lead managers reported buying by "unexpectedly diversified" investors, and said that non-resident interest, although modest at less than 20 per cent of the total amount, was promising. "The strong demand by arbitrage desks in London makes us confident that the bonds will be actively traded," a syndicate official said.

The structure of the bonds, which makes them sensitive to the steepness of the yield curve but almost immune to changes in the level of yields, will allow traders to hedge – or speculate on – yield curve exposure, the difference between durations of assets and liabilities.

Unlike previous attempts to issue variable rate OATs, yesterday's deal appealed to non-residents because its structure is identical to existing bonds in other markets, such as the REX in Germany and CMT in the US.

The lead managers believe that a much larger amount could have been placed, but it seems that the French Treasury wanted to nurture demand in the secondary market, to ensure successful re-openings of the issue.

In future, TEC 10 OATs will be auctioned like other government debt instruments.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Sumitomo Intl Fin Australia‡	200	(a)	100.04	Apr 1997	0.075	-	Barclays de Zoete Wedd
Royal(b)Φ	100	3.50	100.00	Apr 2000	2.25	-	Nikko Europe
D-MARKS							
Rabobank Australia(g)	300	4.75	99.96R	Dec 1999	0.225R	+6(7¼-99)	SocGen Frankfurt
SWISS FRANCS							
Bayerische Landesbank(c)	300	4.00	104.00	Mar 2001	2.00	-	Credit Suisse/Merrill/ZKB
FRENCH FRANCS							
French Treasury‡	18bn	(d)	99.90R	Oct 2006	0.36R	-	BNP/CDC
SocGen Acceptance‡	300	(e)	100.00R	Apr 1999	0.20R	-	Société Générale
ITALIAN LIRE							
GECC	200bn	9.25	101.075	Apr 1998	1.125	-	Deutsche Morgan Grenfell
DANISH KRONER							
Mortgage Bank of Denmark	400	(f)	101.788	May 2002	1.875	-	Kreditbank Intl Group

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ΦWith equity warrants. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) Fixing: 16/4/96. c) Fungible with SFr250m. Plus 60 days accrued. d) Quarterly coupons derived from the interpolated yield of the two most liquid 10-yr OATs. e) 6% x number of days the spread between the 7¼% Apr06 OAT and the 6% Feb06 Bund is between zero and 100bp divided by 365 days. f) 6% to 22/5/99 and 7¾% thereafter. g) Short 1st coupon

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	106.4440	−1.610	9.01	8.88	8.78
Austria		6.125	02/06	97.1900	−0.470	6.52	6.53	6.58
Belgium		7.000	05/06	101.6100	−0.570	6.77	6.77	6.65
Canada *		8.750	12/05	106.6000	−1.140	7.76	7.68	7.48
Denmark		8.000	03/06	103.3000	−0.540	7.51	7.53	7.61
France	BTAN	5.750	03/01	100.0600	+0.021	5.73	5.76	5.69
	OAT	7.250	04/06	104.7200	−0.080	6.59	6.60	6.65
Germany Bund		6.000	02/06	96.7800	−0.390	6.45	6.44	6.36
Ireland		8.000	08/06	100.1000	−0.370	7.97	8.06	7.84
Italy		9.500	02/06	94.9900	+0.290	10.32†	10.61	10.24
Japan	No 129	6.400	03/00	118.1010	−0.760	1.85	1.76	2.15
	No 182	3.000	09/05	98.3730	−0.790	3.23	3.09	3.42
Netherlands		6.000	01/06	96.8400	−0.480	6.44	6.45	6.37
Portugal		11.875	02/05	114.8500	−0.140	9.31	9.53	9.58
Spain		10.150	01/06	103.8700	−0.320	9.49	9.74	9.59
Sweden		6.000	02/05	84.6650	−0.470	8.54	8.56	8.73
UK Gilts		8.000	12/00	101–28	−10/32	7.51	7.62	7.18
		7.500	12/06	95–20	−13/32	8.12	8.18	7.92
		9.000	10/08	106–02	−14/32	8.21	8.28	8.04
US Treasury *		5.625	02/06	93–04	−60/32	6.58	6.36	6.04
		6.000	02/26	89–07	−79/32	6.85	6.69	6.44
ECU (French Govt)		7.500	04/05	102.6500	−0.370	7.09	7.09	7.18

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.10	Two year	6.07
Prime rate	8¼	Two month	5.00	Three year	6.21
Broker loan rate	7	Three month	5.15	Five year	6.39
Fed funds	5¼	Six month	5.35	10-year	6.58
Fed funds at intervention		One year	5.62	30-year	6.85

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	121.24	121.78	−0.06	121.78	121.22	88,273	145,816
Sep	120.02	120.50	−0.06	120.40	120.02	414	4,599
Dec	118.76	119.24	−0.06	118.76	118.76	2	684

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
119	-	-	-	0.06	0.30	-
120	1.87	-	1.91	0.13	0.47	-
121	1.00	1.45	-	0.28	0.72	-
122	0.41	0.86	0.95	0.67	-	-
123	0.10	0.44	-	-	-	-

Est. vol. total, Calls 17,298 Puts 18,074. Previous day's open int., Calls 147,054 Puts 148,268.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int
Jun	95.75	96.25	−0.40	96.30	95.88	127681	220412
Sep	95.30	95.30	−0.40	95.32	95.30	20	5379

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
9600	0.61	0.87	0.72	1.08	0.36	0.72	1.33	1.69
9650	0.34	0.70	0.52	0.87	0.59	0.95	1.63	1.98
9700	0.16	0.47	0.26	0.69	0.91	1.22	1.99	2.30

Est. vol. total, Calls 18537 Puts 10709. Previous day's open int., Calls 241852 Puts 195489

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	108.95	109.89	+0.20	109.97	108.76	33344	44655
Sep		109.34	+0.20			0	258

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
10950	1.64	2.42	1.25	2.98
11000	1.37	2.19	1.48	2.85
11050	1.12	1.97	1.73	3.13

Est. vol. total, Calls 2739 Puts 2828. Previous day's open int., Calls 60108 Puts 73667

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	96.00	96.64	+0.78	96.87	96.00	51,727	43,782

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	104-30	105-09	−0-18	105-12	104-25	28125	121119
Sep		104-06	−0-18			0	166

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
105	0-55	1-21	1-07	1-36	0-37	1-03	1-49	2-24
106	0-25	0-53	0-48	1-11	1-07	1-35	2-26	2-63
107	0-08	0-31	0-31	0-55	1-54	2-13	3-19	3-43

Est. vol. total, Calls 1293 Puts 458. Previous day's open int., Calls 44842 Puts 38610

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	89.58	89.76	−0.32	89.74	89.48	1,407	7,820
Sep	89.43	89.24	+0.24	89.40	89.40	1	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	108-30	109-10	+0-12	109-13	108-28	292,722	355,879
Sep	108-17	108-28	+0-12	108-29	108-21	1,701	22,299
Dec	108-09	108-07	+0-10	108-09	108-07	1,288	4,134

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Jun	118.45			118.64	118.45	2328	0
Sep	117.40			117.53	117.40	67	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Apr 9	Day's change %	Thu Apr 4	Accrued interest	xd adj. ytd		Low coupon yield Apr 9	Apr 4	Yr. ago	Medium coupon yield Apr 9	Apr 4	Yr. ago	High coupon yield Apr 9	Apr 4	Yr. ago
1 Up to 5 years (24)	121.41	−0.15	121.59	2.32	2.45	5 yrs	7.60	7.52	8.31	7.64	7.56	8.39	7.75	7.65	8.52
2 5-15 years (19)	145.08	−0.43	146.01	2.61	2.55	15 yrs	8.27	8.21	8.39	8.29	8.22	8.46	8.38	8.31	8.66
3 Over 15 years (9)	158.83	−0.55	159.71	2.52	3.46	20 yrs	8.33	8.28	8.37	8.33	8.27	8.46	8.42	8.36	8.61
4 Irredeemables (6)	182.54	−0.38	183.22	3.78	1.47	Irred.†	8.37	8.34	8.41						
5 All stocks (58)	140.62	−0.35	141.27	2.12	2.67										

Index-linked	Tue Apr 9	Day's change %	Thu Apr 4	Accrued interest	xd adj. ytd		Inflation 5% Apr 9	Apr 4	Yr. ago	Inflation 10% Apr 9	Apr 4	Yr. ago
6 Up to 5 years (1)	197.64	−0.02	197.67	4.05	0.00	Up to 5 yrs	3.01	2.89	3.31	1.71	1.69	1.95
7 Over 5 years (11)	185.27	−0.18	185.61	1.11	1.19	Over 5 yrs	3.76	3.74	3.80	3.56	3.55	3.62
8 All stocks (12)	185.42	−0.18	185.75	1.17	1.16							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 9	Apr 4	Apr 3	Apr 2	Apr 1	Yr ago	High*	Low*
Govt. Secs. (UK)	92.27	92.62	92.40	92.57	92.29	91.91	96.34	91.97
Fixed Interest	111.61	111.89	111.54	111.56	111.43	110.78	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Apr 4	Apr 3	Apr 2	Apr 1	Mar 29
Gilt Edged bargains	89.1	94.3	90.8	81.5	108.3
5-day average	92.8	98.1	101.9	102.8	107.4

UK GILTS PRICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar ignores bond slide to hit 2-year high vs yen

By Peter John

International investors bought the US dollar yesterday on the back of last week's high employment figures.

Many dealers had expected that the slide in US Treasuries, following the sharp rise in Friday's non-farm payroll numbers, would lead to a surplus of US currency in the system and a subsequent sell-off.

They had left themselves short of dollars in anticipation of precisely that scenario. But, a degree of decoupling from the debt markets meant that the dollar was bought on the back of stronger economic fundamentals and those traders with short positions were forced to scramble for currency.

There was also widespread genuine buying. European and far eastern corporates, as well as short- to medium-term investment funds were all investing in the US currency.

As a result, the dollar hit a 26-month high against the yen and rose to DM1.490 against the German currency.

Mr Jim O' Neill, of Goldman Sachs, said: "More and more people are coming to the conclusion that the US economy is strengthening and the next move in rates won't be down. This is not decoupling; it is a return to the norm".

Nevertheless, some economists believe the strength is unsustainable.

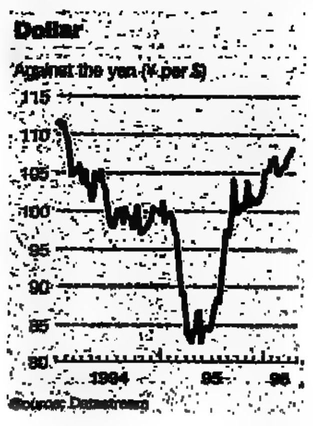
Mr Michael Burke, senior economist with Citibank, said: "If you thought there was a trend-positive capital inflow you could be bullish but actually the trend is the other way. My concern is that a lot of this dollar buying has left the market long of dollars while foreigners are not buying assets such as Treasuries and stocks."

Also, a recent survey by IDEA, the financial consultancy, found that 73 per cent of respondents believe investors and customers to be underweight in the D-Mark. Mr Burke believes the imbalance cannot continue.

● Nevertheless, the D-Mark was weak against most European currencies with traders staying away while the falling interest rate cycle continues.

Anyone doubting the cycle is drawing to a close only had to look at further evidence of a soft German economy which emerged in a report showing that pan-German industry orders in February tumbled 1 per cent from January.

As well as being weak against the dollar, the D-Mark fell against sterling and the Spanish peseta. And, it was weak against the Italian lira although dealers pointed out that Italy's short-term outlook included a likely hung parliament after the country's general election on April 21.



● The D-Mark even failed to register gains against the French currency despite a growing belief that the French central bank will reduce at least one of its key interest rates when it meets tomorrow.

There is optimism that the short-term intervention rate will be reduced by around 10 to 15 basis points from its current level of 3.80 per cent. The bank certainly has room for manoeuvre. French call money is, at present, trading some 70 basis points above its German equivalent and the Bundesbank may well reduce its own key rates when it meets next Thursday. The Franc edged up to FFr3.404 against the D-Mark, up from FFr3.409 before Easter.

● The Swedish Krone dipped to SKr4.501 against the German currency, down from SKr4.488 following a rate cut announced by the Swedish Central Bank, which reduced its repo rate to 7.15 per cent from 7.40 per cent previously.

● Sterling was firmer ahead of tomorrow's by-election in South Staffordshire which threatens to reduce the Conservative majority to one.

The pound has largely shrugged off the political worries that have dogged the government. And there was little response to the latest industrial output figures which showed a rise of only 0.4 per cent against a consensus forecasts of 0.7 per cent.

While the pound lost almost half a cent against the strengthening dollar it made up for it by gaining more than a pfennig against the D-Mark to DM2.2750, a six month high.

● The hard-pressed South African rand hit a new low against the US dollar. Worries about the future policy of Mr Trevor Emanuel, the incoming finance minister, combined with buying of the US currency to send the rand down to R4.1430.

■ Pound in New York

Apr 8	---Latest---	-- Prev. close --
£ spot	1.5245	1.5300
1 mth	1.5238	1.5293
3 mth	1.5220	1.5280
1 yr	1.5170	1.5221

■ OTHER CURRENCIES

Apr 9	£	$
Czech Rp	41.5871 - 41.6446	27.2890 - 27.2900
Hungary	220.187 - 220.328	144.390 - 144.430
Iran	4576.50 - 4573.51	3000.00 - 3000.00
Kuwait	0.4567 - 0.4570	0.2992 - 0.2995
Poland	3.9660 - 3.9732	2.6015 - 2.6045
Russia	7474.81 - 7484.10	4900.00 - 4905.00
U.A.E.	5.5992 - 5.6033	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Apr 9		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.9991	+0.0934	900 - 081	16.0184	15.9080	15.9891	2.2	15.8865	2.6	-	-	105.7
Belgium	(BFr)	46.7413	+0.2815	954 - 871	46.7860	46.5180	46.6863	2.7	46.4263	2.7	45.5063	2.6	107.8
Denmark	(DKr)	8.7835	+0.0491	782 - 884	8.7908	8.7056	8.7717	1.6	8.7469	1.7	8.6403	1.6	108.5
Finland	(FM)	7.1184	+0.0414	080 - 285	7.1250	7.0770	7.112	0.7	7.1035	0.7	-	-	82.8
France	(FFr)	7.7438	+0.0384	399 - 473	7.7570	7.7155	7.7307	2.0	7.7061	1.8	7.6079	1.8	108.7
Germany	(DM)	2.2750	+0.0129	738 - 762	2.2778	2.2620	2.2698	2.7	2.2596	2.7	2.213	2.7	109.7
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.4912	+0.1001	887 - 937	10.5060	10.4100	10.4739	2.0	10.4377	2.0	10.2762	2.0	105.8
Belgium	(BFr)	30.6500	+0.298	300 - 700	30.6960	30.4200	30.597	2.1	30.4905	2.1	30.01	2.1	108.0
Denmark	(DKr)	5.7596	+0.0536	581 - 610	5.7665	5.7143	5.7546	1.0	5.7446	1.0	5.7671	-0.1	108.2
Finland	(FM)	4.6665	+0.0444	632 - 698	4.6705	4.6285	4.66	1.7	4.648	1.6	4.6025	1.4	82.5
France	(FFr)	5.0778	+0.0408	770 - 785	5.0937	5.0450	5.0717	1.4	5.0619	1.3	5.0199	1.1	107.2
[illegible]													

WORLD INTEREST RATES

MONEY RATES

April 9	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
France	4	[illegible]	[illegible]	[illegible]	[illegible]	3.80	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.80	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.00
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.98
Netherlands	3	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	3	[illegible]	3	3	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	1	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.13	5.19	5.33	5.67	-	-	-
week ago	-	5.13	5.19	5.21	5.44	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

■ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 9	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9075	0.32	0.74	0.86	0.26	0.28	0.40
9100	0.20	0.56	0.72	0.41	0.35	0.49
9125	0.12	0.42	0.58	0.58	0.46	0.60

Est. vol. total, Calls 219 Puts 53. Previous day's open int., Calls 22713 Puts 11717

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES [illegible]

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6782	0.6726	-0.0057	0.6738	0.6720	21,090	83,123
Sep	0.6775	0.6766	-0.0054	0.6778	0.6766	18	2,132
Dec	-	0.6865	-	-	-	2	199

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8420	0.8336	-0.0105	0.8362	0.8336	8,439	26,779
Sep	0.8440	0.8414	-0.0105	0.8440	0.8414	140	773
Dec	-	0.8579	-	-	-	145	649

UK INTEREST RATES

LONDON MONEY RATES

Apr 9	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Apr 4, 5.8151pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 29, 1996. Agreed rate for period Apr 26, 1996 to May 26, 1996, Schemes II & III 7.23pc. Reference rate for period Mar 1, 1996 to Mar 29, 1996, Schemes IV & V 6.133pc. Finance House Base Rate 6.5pc from April 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.91	93.94	-0.02	93.94	93.90	14105	78805
Sep	93.70	93.74	-0.02	93.74	93.69	10218	57772
Dec	93.30	93.35	-0.05	93.39	93.29	10713	54803
Mar	92.88	92.89	-0.07	92.89	92.84	5767	38904
Jun	92.51	92.51	-0.10	92.51	92.45	2140	31148

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9375	0.24	0.24	0.22	0.05	0.25	0.62
9400	0.08	0.12	0.14	0.14	0.38	0.79
9425	0.02	0.06	0.09	0.33	0.57	0.99

Est. vol. total, Calls 3391 Puts 5709. Previous day's open int., Calls 114039 Puts 108386

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.25	●Singer & Friedlander	6.00
AIB Bank	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs.	6.00
●Henry Ansbacher	6.00	●Robert Fleming & Co	6.00	TSB	6.00
Bank of Baroda	6.00	Girobank	6.00	United Bank of Kuwait	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	Unity Trust Bank Plc	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	Western Trust	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Whiteaway Laidlaw	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Yorkshire Bank	6.00
Bank of Scotland	6.00	●Hill Samuel	6.00		
Barclays Bank	6.00	C. Hoare & Co	6.00	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00	* In administration	
●Brown Shipley & Co Ltd	6.00	Julian Hodge Bank	6.00		
Citibank NA	6.00	●Leopold Joseph & Sons	6.00		
Clydesdale Bank	6.00	Lloyds Bank	6.00		
The Co-operative Bank	6.00	Meghraj Bank Ltd	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Credit Lyonnais	6.00	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100 [illegible]

■ STERLING FUTURES (IMM) £62,500 per £ [illegible]

EMS EUROPEAN CURRENCY UNIT RATES [illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound) [illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100% [illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100% [illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100% [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100% [illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m) [illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100% [illegible]

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100% [illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100% [illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100% [illegible]

* LIFFE futures also traded on APT

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		498	-4	568	476½	5,159	5.9	18.0
Bulmer (HP)		622	—	624	401	329.4	2.5	19.5
Burn St Dist		117	—	146	101	68.4	5.4	24.9
Grand Met		422xd	+8	467	374	8,898	4.4	18.2
Guinness		460xd	+2½	538	435	8,858	4.0	15.6
Highland		339	-2	408	315	478.2	3.8	16.7
Kirin Y		807¼	+5¼	814	621	8,487	0.8	31.7
Macallan-Glen		170	+2	217	150	199.8	1.1	ϕ
Macdon Martin A		633	—	680	600	88.7	2.2	17.8
Matthew Clark		728xd	+3	737	576	642.8	3.8	–
Merrydown		102	-1	149	88	11.1	2.5	–
Seagram S		£21⅞	-½	£25⅞	£18½	9,778	1.4	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cm 2nd Prf		50½	—	60½	50½	6.31	19.8	–
Cater Allen		447	-1	525	424	145.7	8.4	7.4
Close Bros		369xd	-3	392	256½	449.3	3.1	10.3
Gerrard & Nat		400	-3	472	390	195.6	7.0	12.9
Hambros		241	-10	292	190	428.3	3.9	–
7½pc Cv Pf		110½	-½	111	94½	142.3	8.5	–
King & Shaxson		155	—	165	85	40.9	7.3	12.0
Leopold J		450	—	463	353	23.9	5.2	15.5
Rea Brothers		58xd	—	67	44	28.0	2.2	ϕ
Schroders		1230xd	+30	1478	1050	1,857	1.6	17.2
N/V		990xd	+27	1180	890	435.8	2.0	13.8
Singer & Fried		102	—	113	61	201.4	5.0	8.0
8½pc Cv Ln 09/14		£125xd	—	£137	[illegible]	38.3	6.8	–
Union		103xd	—	121	71	27.4	3.6	ϕ
Wintrust		390	—	398	200	25.8	4.9	17.2

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PROPERTY - Cont.

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

AIM - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

TELECOMMUNICATIONS

[illegible]

AMERICANS

[illegible]

RETAILERS, FOOD

[illegible]

TEXTILES & APPAREL

[illegible]

RETAILERS, GENERAL

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

PHARMACEUTICALS

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

INVESTMENT COMPANIES

[illegible]

PROPERTY

[illegible]

WATER

[illegible]

SUPPORT SERVICES

[illegible]

AIM

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

LEISURE & HOTELS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- ♦ Forecast dividend yield, p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme.

[illegible]

... previous year's earnings. ¶ Yield based on prospectus or other official estimates for ... v P/e ratios are calculated under new ... xa ex all; xd ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

BERMUDA (REGULATED)(**)

Bermuda Intl Investmt Mgmnt Ltd

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

[illegible]

Henderson Crosthwaite Investment Co

[illegible]

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

[illegible]

Daiwa Europe Fund Mgrs Ireland Ltd

[illegible]

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

[illegible]

Mercury Fund Managers Intl Ltd

[illegible]

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

[illegible]

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

[illegible]

JERSEY (REGULATED)(**)

Bank of Scotland Fund Managers (Jersey) Ltd

[illegible]

INVESCO International Limited - Contd.

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

EquiFund-Wright National Eqty Fd (x) (z)

[illegible]

S-E-Banken Luxembourg SA

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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Credit Investment Funds - Contd.

Credit Commercial de France

Daiwa Japan Geo Fund

Daiwa Japan Small Equity Fd (z)

Dicam Worldwide Investment Fund

Pan-Holding SA

Pictet Group

RENG Global Funds

River & Mercantile Latin American SICAV

Rosenberg Global Mngt Co SA (z)

Rosenberg Management SA (z)

Rosenberg US Japan Mngmt Co SA (z)

B.d.G. Edmond de Rothschild (Luxembourg)

CMI Insurance Co Ltd - Contd.

CMI Ins Co Ltd/Clerical Med

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Shares shrug off Wall Street's Easter falls

By Philip Coggan, Markets Editor

"Don't worry, be happy," was the motto of the day in the London stock market yesterday as investors shrugged off Monday's 88-point fall on Wall Street. By the close the FT-SE 100 index had managed to register a modest 3-point rise.

With many in the City enjoying an extended Easter break, trading was light. Marketmakers reduced their prices at the opening, with the result that the Footsie started 29.4 lower at 3,726.2. But that proved to be the index's worst level and, with little sign of selling pressure, the market steadily reduced its losses.

The US decline was prompted by March's stronger than expected non-farm payrolls figure, which was published on Friday when London was closed. But over the Easter break, investors may well have remembered that the US equity market, having fallen 171 points in response to February's strong payroll data, rebounded to reach an all-time high last Wednesday.

UK investors accordingly seem to have decided that the best way to deal with Wall Street's volatility is the age-old tactic of parents of children prone to temper tantrums – ignore them in the hope that they will quickly stop.

Mr Bob Semple, UK market strategist at NatWest Securities, commented: "Hundred-point swings on Wall Street have become a regular feature. The UK market reacted sensibly given that its fundamentals are still reasonably sound, earnings and dividends are still growing."

Mr Tim Brown, UK market strategist at UBS, added: "Short term technical factors were supportive. Unit trust managers took in a lot of money before the end of the year from personal equity plans and that has to be invested. Institutions are still sitting on quite a lot of cash from takeovers, and given the continued bid speculation are reluctant to sell."

The continued weakness of manufacturing output, which was unchanged in February, raised some hopes that base rates might be cut further – there was a modest rally in short sterling futures – giving some support to UK equities.

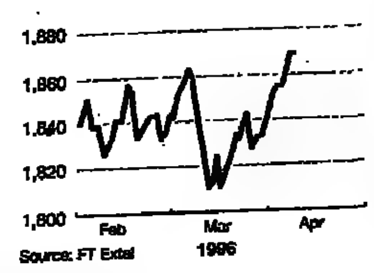
A further round in the mortgage price war, with a cut in rates from the Nationwide Building Society, and talk about a wide spread of takeover targets, also helped sentiment. Wall Street stabilised when it opened in London's afternoon, with the Dow only five points lower when UK trading closed. All this helped the Footsie inch into positive trading by the end of the day, finishing at 3,758.6.

The FT-SE Mid-250 index for once trailed behind the senior index, closing 8.2 points lower at 4,377.1. Two leading constituents, Harrisons & Crosfield and National Express, went ex-dividend.

Gilts were a drag on shares for much of the day, with the benchmark 10-year issue closing a half-point lower, although off its worst level of the day.

Trading volume was sluggish, with only 616m shares having been traded by the 6pm count, of which 60.8 per cent was in non-Footsie stocks. However, the value of customer business on Maundy Thursday, the last trading day before Easter, was a surprisingly healthy £2.13bn.

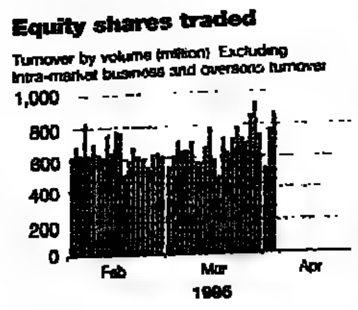
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3758.6	+3.0
FT-SE Mid 250	4377.1	–8.2
FT-SE-A 350	1891.7	+0.4
FT-SE-A All-Share	1869.86	+0.33
FT-SE-A All-Share yield	3.75	3.76

FT Ordinary index	2795.1	–1.6
FT-SE-A Non Fins p/e	17.30	17.30
FT-SE100 Fut Jun	3759.0	-12.00
10 yr Gilt yield	8.11	8.03
Long gilt/equity yld ratio:	2.24	2.22

Best performing sectors

1. Gas Distribution .... +1.8
2. Banks: Merchant .... +0.9
3. Alcoholic Beverages .... +0.7
4. Oil: Integrated .... +0.7
5. Media .... +0.6

Worst performing sectors

1. Insurance .... –0.8
2. Paper: Pckg & Printing .... –0.6
3. Diversified Industrials .... –0.6
4. Pharmaceuticals .... –0.5
5. Oil Exploration & Prod .... –0.4

Man Utd tops the table

The action in Manchester United shares was almost as exciting as the northern football club's performance on the pitch.

The stock price raced up 22 to yet another all-time high of 315p after the club increased its lead at the top of the Premier League by beating Coventry 1-0 and then watched Newcastle – previous favourites to win the League – lose 2-1 to Blackburn Rovers.

The Manchester club has also won through to the final of the FA Cup in which it will play Liverpool.

If it wins both of the UK's premier football trophies, sales of the club's playing strips and other Manchester United-branded goods are expected to soar, adding to the growing profits of the UK's best supported team.

The Premier League Championship remains the key, however, to the financial success guaranteed by entry into the European Champions League. Manchester's last foray into the Champions League, during the 1994-95 season, was worth around £4.5m in pre-tax profits to the club.

Mr Roy Owens, leisure analyst at Merrill Lynch, the football club's broker, remarked: "If MUFC do win the Premiership then earnings forecasts would be raised for 1996-97 to reflect the club's participation in the lucrative European Championship".

Granada, the leisure company which won control of the Forte hotels empire earlier this year, drifted easier, closing 3 off at 794p, as some of the company's enthusiasts began to cool on expectations that details of further disposals may be announced today, along with the scheduled trading update.

Granada shares have been among the market's best performers in recent weeks, hitting an all-time high of 797p last week, amid speculation that the sale of the Meridien Hotels group for around £900m was imminent.

Leisure specialists said it was most unlikely that any further disposals would be announced with the trading news. But there were strong expectations that Granada would deliver details of further cost reductions in the businesses. "The feeling around the marketplace is that there will be some good news for shareholders," said one specialist.

In the retail sector there were still widespread rumours – described by some analysts as rubbish – that Great Universal Stores, the retail, mail order and financial services group, was about to declare either a special dividend or a share buyback. One analyst also said that there was renewed speculation over a merger or some sort of tie-up between GUS and Next, the fashion retailer.

The share price of GUS, which has a market capitalisation of £7bn and which is sitting on a cash pile of £1.3bn, went up by 12 to 696p.

British Gas was one of the best performing stocks in London as a rush of money into personal equity plans gave a lift to a traditional Pep favourite. Some traders said the recent burst of strength in the stock also owed much to renewed takeover speculation, with BP again put forward as a potential bidder.

The shares rose 4½ to 239p.

Media stocks showed a resilience that surprised sector specialists.

Pearson, Reuters Holdings and Reed International are all exposed to some degree to the US. But they shrugged off Wall Street's slide on Monday as well as yesterday's subsequent nervousness in London to reach record highs.

Pearson, the media conglomerate which owns the Financial Times, rose 7 to 728p – a new peak – as takeover speculation continued to rumble around the stock.

Reuters Holdings, the news and financial information group, moved to a new peak, up 9½ to 766½p, with hope mounting that some kind of return to shareholders will be announced next week. Reed International gained 20 at 1184p.

In the drinks sector both Grand Metropolitan, a stock unloved by the market for some time, and Guinness benefited from favourable press comment over the weekend on pricing policies in the sector.

Shares in Guinness increased sharply at the beginning of trading but fell back to record an increase of 2¼ at 460p, while Grand Metropolitan climbed 8 to 422p.

W.H. Smith's share price rose 13 to 477p on the back of growing expectations that Mr Bill Cockburn, the new chief executive, in his May review, will produce a disposal. "W.H. Smith has all the hallmarks of a stock that should go up," said one analyst.

The latest move by the Nationwide Building Society to cut mortgage lending rates, intensifying the mortgage price war that started in February this year, caused plenty of nervousness but little share price action in the banking stocks.

The two stocks most likely to be affected by the mortgage war, Abbey National and Lloyds TSB, trembled for a few minutes, as marketmakers instantly went on the defensive, but stabilised quickly as very little selling pressure emerged.

"It didn't produce any panic in the market, in fact the market was half asleep before the news and fully asleep after the news," said one marketmaker. Abbey National ended the session a penny off at 562p on relatively healthy turnover of 3.6m shares, while Lloyds TSB performed well to end the day a net 2¼ ahead at 318¼p on volume of 5.2m.

The hottest story in the banks, according to traders, was the revival of speculation that a bid from HSBC was about to hit Standard Chartered, the banking group.

Although the story has been doing the rounds of the market for many months, there was again keen interest in Standard shares, up 12 to 637p.

Insurances included a number of outstanding performances. Lloyds insurance funds provided one of the day's biggest features in CLM Insurance, where the shares ran up 8¼ to 108p after news that Soros Fund Management had accumulated a 3.6 per cent stake.

One insurance specialist said the news would give a lift to the rest of the sector and that Soros had faith in the institution and that there was value in the funds.

The smaller life assurance stocks burst into prominence again, on a mixture of bid speculation and bullishness over the dividend paying potential of the stocks after United Friendly's recent bumper payment. Britannic jumped 15 to 814p and its associate Refuge the same amount to 518p. Dealers reported unusually large overseas buying of Refuge in recent sessions.

The takeover whispers circulating in the market once again focused on the regional electricity stocks and were especially strong in Yorkshire Electricity, a long time bid favourite in the sector. It advanced 12 to 869p in relatively heavy turnover of 1.4m.

MARKET REPORTERS:
Steve Thompson,
Peter John, Lisa Wood.

FINANCIAL TIMES EQUITY INDICES

	Apr 9	Apr 4	Apr 3	Apr 2	Apr 1	Yr ago	*High	*Low
Ordinary Share	2795.1	2796.7	2784.0	2798.5	2781.0	2434.3	2807.9	2696.7
Ord. div. yield	3.87	3.87	3.88	3.86	3.90	4.34	4.06	3.75
P/E ratio net	16.79	16.80	16.56	15.66	16.49	16.90	17.25	15.96
P/E ratio nil	16.54	16.56	16.24	16.34	16.17	16.81	17.03	15.76

Ordinary Share index since compilation: high 2807.9 05/03/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2775.7	2783.5	2789.8	2792.3	2791.1	2790.8	2793.0	2794.0	2791.3	2796.9	2775.5

	Apr 9	Apr 4	Apr 3	Apr 2	Apr 1	Yr ago
SEAQ bargains	29,787	48,156	49,354	52,469	45,817	22,139
Equity turnover (£m)†	-	2125.6	1980.1	2063.0	1138.4	1622.2
Equity bargains†	-	56,711	64,790	51,395	53,709	36,134
Shares traded (ml)†	-	812.5	860.5	770.8	525.9	643.1

†Excluding intra-market business and overseas turnover.

	Apr 9	Apr 4	Apr 3	Apr 2	Apr 1	Yr ago	*High	*Low
FT-SE AIM	984.60	991.40	991.00	990.70	988.00	-	1064.22	965.55

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	563	Total Highs	140	Total contracts	27,094
Total Falls	724	Total Lows	31	Calls	17,342
Same	1,501			Puts	9,752

Apr. 9 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3738.0	3759.0	-12.0	3771.0	3738.0	8635	57407
Sep		3768.0	-12.0			-	2440
Dec		3794.0	-12.0			-	31

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4395.0	-5.0			0	3519
Sep			+0			0	0

FT-SE 100 INDEX OPTION (LIFFE) (*3755) £10 per full index point

	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P
Apr	155½	1½	106½	4	63	11½	30	28½	10	60	1½	108	1	158	1	206
May	189	14½	128	23	91	36	61½	56	36	83½	21	118	11	159	4½	206
Jun	189	32	159½	43	116	53	85½	78½	62	105	42½	135½	27½	171	17	212½
Jul	207½	45½	178	58½	139½	77½	188	97	85½	123½	68	151½	47	186	32½	222½
Dec†	277	96			214	130			163	177½			118	232½		

Calls 5,292 Puts 3,846

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P
Apr	177½	1	129½	3	84½	8	46½	19½	20	43	6	78½	1	123½	1	172½
May	190½	11	147½	17½	109	28½	75	44	48	67	28	97	18½	133½	7½	175½
Jun	212	30½	172	39½	138	50	98½	66	72	87½	50½	115½	34	148½	22½	186½
Sep			211	72			151	109			103	158½			67½	220½
Dec†			286	104			206	140			153½	183			108	234½

Calls 1,723 Puts 2,884 * Underlying index value. Premiums shown are based on settlement prices † Long dated equity options.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	28.5	96	95	Advent VCT	95		-	-	-	-
-	F.P.	11.8	24½	20	Aegis Wrts	23½	-½	-	-	-	-
-	F.P.	14.3	95	[illegible]	British Smlr Cos	95		-	-	-	-
-	F.P.	21.1	235	230	Cambridge Wtr NV	235		†Nv18.	3.1	3.6	4.7
-	F.P.	28.5	96	95	Close Bros VCT	95		-	-	-	-
270	F.P.	31.6	325	305	Dicom	307		-	-	-	70.9
100	F.P.	15.4	137	105	Easynet	108		-	-	-	-
165	F.P.	36.7	183	160	†First Info	181		-	-	-	-
-	F.P.	46.7	55	53	Fleming Wrld Inv	53		4.66	-	9.8	-
-	F.P.	60.8	195	180	Fulmer	194		Lv4.3	2.7	2.8	18.9
-	F.P.	50.9	96	93½	GT Inc Gwth Tst	94½	-½	-	-	-	-
-	F.P.	20.2	96	90	Gartmore VCT	95	-1	-	-	-	-
-	F.P.	21.4	95	95	Guinness Fl VCT	95		-	-	-	-
100	F.P.	27.2	97	96	Hill Sml UK Emg Co	96		-	-	-	-
-	F.P.	0.93	80	80	Hurlingham Props	80		-	-	-	-
75	F.P.	17.9	88	75½	ILP Group	83	-1	-	-	-	12.7
100	50	23.0	55	49	Life Offices Opport	53½		-	-	-	-
125	F.P.	18.1	130	113	†Manns & Merc	125		-	-	-	-
-	F.P.	28.4	702	675	New Asia Fund	695	+10	-	-	-	-
205	F.P.	2,857	244	220	Orange	227½	-6½	-	-	-	-
-	F.P.	7.60	95	95	Pantos AIM VCT	95		-	-	-	-
500	F.P.	177.0	515	499	Perp Inc & Gwth	513		-	-	-	-
100	F.P.	16.5	105	103	†Prmy Hlth Props	100		-	-	-	-
-	F.P.	17.1	95	90	Quester VCT	95	+5	-	-	-	-
32	F.P.	2.97	34	32	Raphael Zorn	33	-1	v1.25	1.3	4.7	20.7
-	F.P.	27.8	102	102	Scottish Asian C	102		-	-	-	-
3	F.P.	4.96	4	3½	Silver Shield	3½		v-	-	-	15.6
120	F.P.	36.9	141	123	Stadium Group	134	-1	Lv3.8	3.1	3.5	11.2
115	F.P.	18.1	136	116	†Systs Integ Rsch	120	+2	-	-	-	-
-	F.P.	16.3	513	500	Templeton Em UK	513		-	-	-	-
135	F.P.	46.3	184	153	Triad Group	164		Rv2.35	3.0	1.8	24.4

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Apr 9	% chg on day	Apr 4	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (36)	2348.61	+2.3	2296.61	1966.70	1.38	-	2520.32	1729.96
Regional Indices								
Africa (13)	3026.42	+0.5	3012.16	2840.80	2.72	31.93	3683.86	2272.74
Australasia (5)	[illegible]	+0.1	2670.25	2422.16	2.39	28.06	2927.34	2098.51
North America (12)	2111.09	+3.4	2041.40	1891.33	0.64	69.16	2166.39	1465.64

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FT - SE Actuaries Share Indices — The UK Series

	Apr 9	Day's chge%	Apr 4	Apr 3	Apr 2	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3758.6	+0.1	3755.6	3725.1	3728.5	3180.9	3.94	2.12	14.98	82.20	1527.46
FT-SE Mid 250	4377.1	–0.2	4385.3	4359.9	4348.7	3484.3	3.39	1.71	21.53	63.00	1746.82
FT-SE Mid 250 ex Inv Trusts	4409.2	–0.2	4418.6	4390.1	4376.6	3493.5	3.50	1.76	20.30	66.82	1761.98
FT-SE-A 350	1891.7	.....	1891.3	1877.0	1877.2	1583.8	3.82	2.04	16.04	30.41	1871.37
FT-SE-A 350 Higher Yield	1835.2	–0.1	1837.1	1823.1	1824.2	1595.2	5.04	1.90	13.06	37.66	1273.61
FT-SE-A 350 Lower Yield	1955.7	+0.1	1953.1	1938.3	1937.7	1572.6	2.68	2.29	20.34	23.41	1347.23
FT-SE SmallCap	2109.70	.....	2109.64	2102.12	2096.77	1787.34	3.05	1.78	23.06	16.89	1719.69
FT-SE SmallCap ex Inv Trusts	2094.58	.....	2093.72	2085.73	2081.50	1714.15	3.26	1.85	20.63	17.01	1716.69
FT-SE-A ALL-SHARE	1869.86	.....	1869.53	1865.69	1865.90	1563.24	3.76	2.02	16.42	28.89	1677.23

FT-SE Actuaries All-Share

	Apr 9	Day's chge%	Apr 4	Apr 3	Apr 2	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3422.20	+0.5	3405.75	3388.80	3371.49	2730.39	3.81	1.74	18.91	66.29	1468.96
12 Extractive Industries(6)	4269.21	[illegible]	4266.72	4258.01	4253.73	3707.64	3.78	2.36	14.03	108.21	1256.02
15 Oil, Integrated(3)	3468.71	+0.7	3443.52	3424.55	3405.88	2716.37	3.99	1.64	19.15	65.59	1524.73
16 Oil Exploration & Prod(15)	2429.00	–0.4	2439.83	2436.84	2423.50	1965.43	2.13	1.48	39.58	30.68	1460.42
20 GEN INDUSTRIALS(277)	2099.14	–0.3	2104.80	2093.89	2097.80	1882.63	4.01	1.88	16.79	25.79	1141.21
21 Building & Construction(34)	1145.30	–0.1	1146.09	1140.14	1136.62	971.75	3.56	1.93	18.23	12.76	954.40
22 Building Matls & Merchs(26)	1870.31	–0.1	1872.61	1859.44	1854.03	1772.99	4.04	1.88	16.67	19.62	938.18
23 Chemicals(25)	2507.30	–0.4	2516.50	2511.15	2534.75	2287.02	3.94	1.95	16.27	35.36	1164.03
24 Diversified Industrials(20)	1772.21	–0.6	1783.34	1774.54	1780.46	1831.45	5.74	1.51	14.41	40.91	891.46
25 Electronic & Elect Equip(38)	2425.38	–0.2	2430.28	2413.42	2385.53	1980.99	2.96	1.72	24.42	8.39	1246.73
26 Engineering(71)	2421.40	–0.1	2424.34	2418.81	2431.19	1835.04	3.16	2.43	16.25	19.64	1461.47
27 Engineering, Vehicles(13)	2943.71	+0.5	2930.00	2913.14	2959.84	2210.39	3.60	1.92	18.08	27.19	1515.62
28 Paper, Pckg & Printing(26)	2779.27	–0.6	2796.75	2757.49	2758.76	2834.22	3.68	2.02	16.81	37.56	1155.82
29 Textiles & Apparel(19)	1490.06	+0.1	1488.15	1482.79	1487.11	1572.61	4.74	1.63	16.12	7.87	888.43
30 CONSUMER GOODS(90)	3478.74	–0.1	3481.79	3451.71	3464.93	3015.38	4.01	1.84	16.99	67.28	1286.93
32 Alcoholic Beverages(9)	2763.08	+0.7	2742.69	2733.67	2762.84	2738.57	4.49	1.60	17.36	57.34	997.89
33 Food Producers(23)	2488.44	–0.4	2498.30	2484.02	2482.78	2421.17	4.18	1.63	16.44	44.38	1122.36
34 Household Goods(16)	2596.82	+0.5	2584.58	2585.65	2569.56	2482.86	3.62	2.41	13.59	51.26	994.55
36 Health Care(20)	1926.74	–0.1	1929.63	1931.89	1936.19	1683.47	2.74	1.80	25.32	10.43	1163.03
37 Pharmaceuticals(12)	4919.91	–0.5	4942.89	4915.30	4922.52	3800.52	3.42	1.85	19.78	81.77	1671.08
38 Tobacco(1)	4328.82	+0.6	4303.21	4129.55	4180.38	3750.26	5.87	2.00	10.66	156.18	1087.32
40 SERVICES(253)	2450.46	+0.1	2446.96	2419.11	2411.98	1931.84	2.86	2.08	21.04	26.73	1270.16
41 Distributors(32)	2783.12	+0.1	2780.84	2748.27	2756.62	2369.22	3.11	1.94	20.74	28.46	1016.40
42 Leisure & Hotels(23)	3082.55	–0.4	3095.91	3051.30	3077.48	2174.92	2.72	2.16	21.39	139.93	1659.11
43 Media(45)	4197.92	+0.6	4172.74	4103.48	4078.32	2873.08	2.13	1.94	30.27	36.34	1516.79
44 Retailers, Food(15)	1925.57	–0.2	1928.88	1901.00	1872.54	1868.96	3.80	2.40	13.69	5.02	1208.89
45 Retailers, General(43)	1996.52	+0.3	1990.27	1967.00	1971.65	1615.90	3.02	2.22	18.60	17.80	1135.77
47 Breweries, Pubs & Rest.(24)	3035.41	–0.3	3043.81	3031.89	3013.45	2285.86	3.25	2.08	18.47	15.93	1447.49
48 Support Services(49)	2212.57	–0.1	2215.22	2195.57	2178.28	1496.13	2.21	2.52	22.42	11.49	1399.82
49 Transport(21)	2405.90	.....	2406.99	2401.89	2408.40	2200.57	3.61	1.41	24.60	24.79	998.35
60 UTILITIES(33)	2565.94	+0.1	2564.04	2550.57	2550.90	2278.94	4.83	2.06	12.56	35.13	1083.31
62 Electricity(12)	2806.51	+0.2	2802.13	2774.81	2763.63	2138.83	4.95	2.58	9.78	137.11	1350.85
64 Gas Distribution(2)	1594.40	+1.8	1565.60	1572.00	1572.00	1981.15	7.52	1.36	12.23	0.00	789.93
66 Telecommunications(7)	2170.99	–0.3	2176.75	2164.18	2166.91	1979.05	3.89	1.78	18.31	0.15	982.72
68 Water(12)	2165.13	–0.3	2171.21	2168.26	2175.07	1831.74	5.64	2.59	8.55	3.61	1174.13
69 NON-FINANCIALS(667)	1995.36	.....	1994.79	1979.39	1978.97	1684.90	3.76	1.92	17.30	28.86	1509.19
70 FINANCIALS(105)	2849.12	.....	2848.27	2831.40	2833.39	2271.40	4.15	2.56	11.78	63.88	1230.10
71 Banks, Retail(8)	3953.87	+0.2	3944.82	3921.60	3932.51	3037.66	3.92	2.77	11.53	104.55	1300.27
72 Banks, Merchant(6)	3474.98	+0.9	3443.50	3404.90	3423.28	3131.83	2.84	2.38	18.51	30.82	1099.12
73 Insurance(23)	1381.35	–0.8	1392.21	1381.05	1377.79	1264.22	5.70	3.15	6.97	32.08	1035.82
74 Life Assurance(6)	3597.64	+0.1	3593.36	3574.55	3584.67	2557.72	4.16	2.16	13.78	96.52	1506.38
77 Other Financial(22)	2552.49	–0.1	2555.84	2553.45	2547.67	1953.53	3.67	1.81	18.85	24.34	1444.95
79 Property(41)	1464.70	–0.4	1470.24	1460.91	1455.86	1354.95	4.32	1.31	22.17	8.75	893.62
80 INVESTMENT TRUSTS(126)	3167.69	–0.3	3176.67	3162.93	3167.70	2543.06	2.16	1.07	53.98	21.74	1103.65
89 FT-SE-A ALL-SHARE(898)	1869.86	.....	1869.53	1865.69	1865.90	1563.24	3.76	2.02	16.42	28.89	1577.23
FT-SE-A Fledgling	1177.23	–0.1	1178.87	1177.58	1175.12	983.10	2.83	2.16	19.78	8.91	1225.60
FT-SE-A Fledgling ex Inv Trusts	1179.60	–0.1	1181.37	1180.36	1177.54	958.37	3.19	2.33	16.82	9.70	1227.95

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3726.2	3738.9	3745.7	3749.5	3748.1	3746.7	3752.1	3756.2	3755.4	3758.6	3726.2
FT-SE Mid 250	4366.5	4368.3	4371.0	4373.4	4374.4	4373.7	4374.5	4377.3	4376.8	4377.1	4365.3
FT-SE-A 350	1878.0	1883.2	1886.1	1887.8	1887.4	1886.7	1888.9	1890.8	1890.4	1891.7	1891.3

Time of FT-SE 100 Day's high: 4:30 PM Day's low: 8:32 AM. FT-SE 100 1996 High: 3781.3 (02/02/96) Low: 2954.2 (23/01/96).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1133.6	1135.2	1134.0	1134.7	1134.7	1135.2	1137.1	1137.8	1138.3	1139.2	1141.3	–2.1
Pharmaceuticls	4840.6	4854.4	4852.2	4852.2	4849.6	4847.8	4850.4	4869.1	4864.6	4863.0	4885.9	–22.9
Water	2147.4	2149.4	2158.6	2159.1	2158.0	2157.3	2157.3	2157.6	2157.9	2157.9	2164.1	–6.2
Banks, Retail	3954.1	3980.1	3995.0	3991.7	3988.8	3978.3	3993.5	4000.4	4001.1	4004.3	3995.2	+9.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.

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TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volumes for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 9 / Sch)

BELGIUM/LUXEMBOURG (Apr 9 / Frs.)

CZECH REP (Apr 9 / Korona)

DENMARK (Apr 9 / Kr)

FINLAND (Apr 9 / Mkk)

FRANCE (Apr 9 / Frs.)

GERMANY (Apr 9 / Dm.)

GREECE (Apr 9 / Drachma)

ITALY (Apr 9 / Lira)

NETHERLANDS (Apr 9 / Fls.)

NORWAY (Apr 9 / Kroner)

POLAND (Apr 9 / Zloty)

PORTUGAL (Apr 9 / Escudo)

SPAIN (Apr 9 / Pts.)

SWEDEN (Apr 9 / Kronor)

SWITZERLAND (Apr 9 / Frs.)

TURKEY (Apr 9 / Tk Lira)

PACIFIC

JAPAN (Apr 9 / Yen)

HONG KONG (Apr 9 / H.K.$)

INDONESIA (Apr 9 / Rupiah)

MALAYSIA (Apr 9 / MYR)

NEW ZEALAND (Apr 9 / NZ $)

SINGAPORE (Apr 9 / S$)

AUSTRALIA (Apr 9 / Aust$)

SOUTH KOREA (Apr 9 / Won)

TAIWAN (Apr 9 / TW $)

THAILAND (Apr 9 / Baht)

AFRICA

SOUTH AFRICA (Apr 9 / Rand)

NORTH AMERICA

CANADA

TORONTO (Apr 9 / Can $)

4 pm close

MONTREAL (Apr 9 / Can $)

4 pm close

INDICES

INDEX FUTURES

US INDICES

Dow Jones	Apr 8	Apr 4	Apr 3	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5594.37	5682.88	5689.74	5689.74 (3/4)	5032.94 (10/1)	5689.74 (3/4/96)	41.22 (2/7/32)
Home Bonds	102.39	103.08	103.01	106.08 (14/2)	102.39 (8/4)	109.77 (19/10/93)	54.99 (1/10/81)
Transport	2157.94	2206.68	2184.86	2215.21 (19/3)	1882.71 (18/1)	2215.21 (19/3/96)	12.32 (8/7/32)
Utilities	208.01	213.25	213.81	224.88 (12/2)	208.01 (8/4)	258.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5624.71 (5737.07) Low 5518.14 (5633.02) (Theoretical§)
Day's high 5578.80 (5687.88) Low 5542.34 (5671.32) (Actual§)

Standard and Poors	Apr 8	Apr 4	Apr 3	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	644.24	655.86	655.88	661.45 (12/2)	598.48 (10/1)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials¥	763.74	774.99	773.90	776.23 (22/2)	702.07 (15/1)	776.23 (22/2/96)	3.62 (21/6/32)
Financial	66.04	67.86	68.10	68.56 (5/3)	58.87 (10/1)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	345.65	351.82	351.81	351.82 (4/4)	321.41 (10/1)	351.82 (4/4/96)	4.46 (25/4/42)
Amex Mkt Val	570.48	577.10	574.32	577.10 (4/4)	528.05 (18/1)	577.10 (4/4/96)	29.31 (9/12/72)
NASDAQ Comp	1105.55	1118.21	1115.85	1118.21 (4/4)	988.57 (15/1)	1118.21 (4/4/96)	54.87 (31/10/72)

■ RATIOS

	Apr 5	Mar 29	Mar 22	Year ago
Dow Jones Ind. Div. Yield	2.11	2.15	2.13	2.61
	Apr 3	Mar 27	Mar 20	Year ago
S & P Ind. Div. yield	1.86	1.87	1.87	2.26
S & P Ind. P/E ratio	21.43	21.21	21.28	18.11

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Lucent Tech	9,139,500	30¼	+⅛
Micron Tech	6,742,900	33⅛	+2⅛
AT & T	5,714,000	60⅛	-2⅛
Fedl Natl	4,807,700	32⅞	-1
Ford Motor	4,762,200	35¼	-⅛
Merck	4,413,200	61⅞	-2
Bay Network	4,257,600	28⅛	-⅛
Motorola	4,339,000	52⅛	+⅛
IBM	3,998,000	119⅛	+1⅛
Wal-Mart	3,827,900	22⅛	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Apr 8	Apr 4	Apr 3
New York SE	414.920	375.308	378.758
Amex	20.721	22.929	21.228
NASDAQ	528.988	515.129	541.194
NYSE			
Issues Traded	3,127	3,083	3,103
Rises	326	1,052	1,078
Falls	2,369	1,186	1,192
Unchanged	432	845	833
New Highs	24	147	122
New Lows	79	13	14

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	649.00	648.30	+1.30	649.80	648.30	81,969	172,044
Sep	655.20	654.50	–10.70	655.30	654.50	509	4,504

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Jun	21660.0	21880.0	+400.0	21900.0	21640.0	28,282	257,850
Sep	21640.0	21900.0	+260.0	21900.0	21640.0	6	13,009

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. § The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, April 9, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsui Eng	12.8m	335	+7	Nissho Iwai	8.8m	580	+15
Nippon Steel	10.8m	371	+5	Japan Energy	7.6m	403	+8
Toshiba	9.4m	832	+21	Mitsubishi Hvy	7.6m	931	+8
Shinko Elec	9.1m	1090	+40	Kanto Spl	7.6m	660	+100
NKK Corp	9.1m	320	+11	Ga-Jo-En Kanko	7.5m	251	+19

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $. (A) Owing to problems at source, some Netherlands prices are pre-close.

4 pm close April 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22¼	19⅛	AAR	0.48	2.5	21	260	19¼	19½	19½	-⅛
44¾	38⅜	AMP	1.00	2.4	21	4710	42	41	41⅞	-⅛
93⅛	68	AMR			36	6373	91⅝	89⅛	89½	-1⅛
50½	37⅜	ASA	2.00	4.3	30	925	47⅛	46⅛	46¼	-1
44¾	38⅛	AbbtL	0.96	2.3	79	16337	43⅛	42⅛	42⅜	-¼
17¼	13⅜	Abitibi Pr	0.40	2.9	7	497	13¾	13⅝	13⅝	
35⅛	27	ABM Ind	0.70	2.1	17	48	34⅜	34	34	-⅛
15½	13⅞	Acptncola			54	324	u15½	15⅛	15¼	
50⅜	37⅜	ACE Ltd	0.56	1.2	11	701	46¼	45⅜	46	+⅜
9⅞	9⅛	ACM Gvt In x	0.90	9.4	8	281	9¾	9⅝	9⅝	
7⅞	6¾	ACM GvOpp x	0.66	9.6		314	6⅞	d6¾	6⅞	+⅛
7¼	6½	ACM Gvt Sp x	0.75	11.5		480	6¾	d6½	6½	-⅛
9⅛	8¾	ACM Gvt Se x	0.90	10.4		196	8¾	8⅝	8⅝	
9½	8⅞	ACM Man x	0.90	9.8		280	9⅛	9¼	9⅜	+¼
31¾	17¾	AcmeClv	0.52	1.7	7	254	30⅞	30½	30½	-⅛
9¾	6⅛	Acme Elect			53	35	6⅞	6¾	6⅞	+⅛
31¾	27¼	Acordia	0.72	2.3	17	240	31⅜	31¼	31⅜	+⅛
15⅞	12	Acuson			45	3787	14⅞	14⅝	14⅝	-⅛
19½	18⅜	Adams Expr	0.36	1.9	0	80	19	18⅞	18⅞	-⅛
21¼	16⅛	AdvMic			6	4665	18⅛	17½	17⅝	-½
10¼	8½	Advest Grp	0.16	1.6	9	145	9⅞	9⅝	9¾	+⅛
26⅛	9⅛	Advo Inc	0.10	1.0	70	1285	10	9½	9¾	-⅛
49	41⅛	Aegon	1.23	2.5	15	106	48⅞	48⅜	48¾	
5⅛	3½	Aeroflx			9	893	5	4⅝	4⅞	+⅜
78¾	66⅜	AetnaL	2.76	3.8	34	10160	74¼	70¾	71¾	-1¾
33	28¾	Aflac	0.40	1.2	14	1553	32⅝	31½	32⅝	+⅞
20⅞	17½	AGL Res	1.06	5.8	17	362	18¾	18⅛	18⅛	-¼
26¾	21¼	Ahmnsn	0.88	3.7	7	2146	23⅞	23½	23½	-⅜
55	50⅞	AirPrC v	1.04	1.9	16	1998	54⅞	54⅜	54¾	-⅛
29⅛	23¾	Airbne Frt	0.30	1.2	22	2081	24⅜	24	24	-¼
42½	33⅞	Airgas Inc			35	546	41⅝	40¼	41⅜	+1¼
18⅞	15	Airlease x	2.00	12.3	11	196	16¼	15¾	16¼	+¾
33⅝	25⅝	AirTch			109	8389	29⅞	29¼	29½	+⅛
30¾	15⅞	Alaska Air	0.20	0.7	23	3095	30	29½	29⅝	+⅜

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
74⅞	59	BellAtl x	2.88	4.8	14	5888	60½	59¾	60	-⅛
23¼	20¼	Bell In	0.40	1.8	10	78	22⅛	21⅞	22⅛	+¼
45¾	35½	BellSth x	1.44	4.0	22	6232	36⅜	35¾	35⅞	+⅛
37⅞	31	Belo A	0.44	1.3	19	487	33⅛	32¾	33⅛	+½
33½	25⅝	Bemis	0.72	2.3	19	883	32⅜	31⅜	31⅞	+¾
67	63¼	Bnom 4 3P	4.30	6.8		z100	63¼	d63¼	63¼	-¼
59	43⅝	Benef	1.88	3.3	21	4689	57⅜	56¼	57⅜	+1
24⅝	20¾	Benetton A	0.31	1.4	13	13	23½	23	23⅛	-⅜
⅞	[illegible]	Benguet B	0.04	5.3	75	250	¾	[illegible]	¾	[illegible]
27¾	24⅛	BergBr	0.48	1.8	16	438	27⅜	26¾	26⅞	+⅛
38000	29600	BerkH			81	z30	34700	34500	34500	-200
11¾	8¾	Berry Petr	0.40	3.4	20	194	u11¾	11⅜	11⅝	+⅛
19¾	12	Best Buy			13	1848	17⅝	16⅞	17¼	+⅝
28⅛	26½	Beth St Z	2.50	9.3		20	27¼	26⅞	26⅞	-⅜
54¾	51⅝	Bethlhm Pf	5.00	9.5		29	53	52¾	52⅞	
15⅞	13⅛	BethSt	0.40	2.9	11	11029	14	13⅝	13⅞	+⅛
47¼	40⅛	Betz L	1.48	3.2	18	1417	46¾	45¾	45¾	-¼
12⅜	10¼	BevEnt			15	2631	11½	11⅛	11¼	-⅛
20⅝	12¾	BiocrdR	0.10	0.5	60	46	18¾	18⅝	18⅝	
18	14½	Birmngm S	0.40	2.6	12	822	15⅝	15⅛	15⅛	-½
39	30¾	BlDeck	0.40	1.1	20	1873	36⅞	36	36	-½
26¼	23¼	Black H PL	1.34	5.4	14	120	24¾	24½	24¾	+¼
9⅛	8	BlckrckAdv	0.62	7.7		160	8⅛	d8	8⅛	+⅛
6⅝	5⅞	BlckrckInc	0.56	9.4		246	6⅛	6	6	-⅛
9	8⅜	BlckrckTgt	0.57	6.8		494	8½	d8⅜	8⅜	-⅛
42⅛	31½	Block	1.28	3.5	40	1906	36⅞	35⅞	36¼	-¼
32	25⅜	Blount A	0.44	1.4	12	51	31⅛	30⅝	30⅝	-⅜
8⅜	7½	Blue Chip	0.12	1.5		146	8¼	8⅛	8¼	
4¾	3⅞	Bluegreen			14	57	4⅝	4⅜	4⅜	-⅛
25⅛	19¾	BMC Ind	0.06	0.2	26	227	23⅝	23	23⅜	+¼
89⅛	75⅜	Boeing	1.00	1.2	71	13144	83¼	81½	82⅛	-¼
44⅞	32¾	BoiseC x	0.60	1.5	6	8797	41⅞	40⅞	41¼	+⅜
8⅝	4⅜	Bombay Co			29	3941	u9⅝	9	9⅝	+¾
15⅞	12⅝	Bordn Chm	6.56	45.2	3	420	14¾	14½	14½	-¼

Continued on next page

صكتا من الاجل

4 pm close April 9

NYSE COMPOSITE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		Continued from previous page								
27⅞	18⅝	Schwab(C)	0.16	0.7	25	3351	25⅛	24¼	24½	-⅝
28⅞	22¾	SchwMaud			14	408	27½	27	27	-⅝
19½	13⅛	SciAtl	0.06	0.3	39	1329	18	17⅝	17¾	+¼
18⅝	17	Scotsman x	0.10	0.6	11	7	17⅞	17⅞	17⅞	
43½	38⅛	Scripps	0.52	1.2	25	639	42⅝	41⅞	42	-⅞
18⅝	14½	ScuddrNAsF	0.02	0.1		285	15⅞	15⅝	15¾	
11⅞	11	ScuddrNEuF	0.16	1.3		106	u11⅞	11¾	11⅞	+¼
18	16	SeaCnB	0.70	4.0	2	12	17⅝	17¼	17⅜	
16	15⅛	SeaCT.4825	1.40	9.4		2	15½	15½	15½	
67¾	44¾	S'gate			11	15181	61⅞	59	60⅝	+1⅛
38⅜	31⅞	Seagrm	0.60	1.9	22	4799	32⅞	32	32¼	+⅛
22⅞	17⅛	Seagull En			110	1005	22	21½	22	+⅝
35¼	25	Sealed Air			27	598	34⅞	33⅞	34	-½
51⅞	38¾	SearsR	0.92	1.9	12	11584	48⅝	47⅝	48⅛	+1⅛
22¼	19¾	SecCapSBI	1.24	5.8	25	1543	21¾	21⅜	21½	-⅛
13	12	Seligm Sel	0.84	6.9		77	12⅜	12⅛	12¼	
23¾	13⅝	Sensormat	0.22	1.0	60	3780	22⅞	21⅞	22½	+⅝
35⅝	29½	SequaA	0.60	1.8	60	7	34⅜	34¼	34¼	-¼
47⅝	39	SequaB	0.50	1.2	71	20	41	41	41	
52	38⅞	ServCp	0.48	1.0	27	3516	50	49⅝	49¾	-⅛
33½	29⅛	SvMstr	0.95	3.0	14	231	32⅛	31¾	31¾	-⅛
6	4½	ServMerch			10	1127	5⅜	5⅛	5¼	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

4 pm close April 9

Stock	Div.	E	Sls 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMEX COMPOSITE PRICES

4 pm close April 9

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICA

Steady bond market lifts US stocks

Wall Street

US shares were steady in midday trading as the bond market stabilised after the sharp sell-off staged over the previous four sessions, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Average was off 6.51 at 5,587.86, while the Standard & Poor's 500 was 0.17 harder at 644.41 and the American Stock Exchange composite had gained 3.02 at 573.50. The Nasdaq composite improved 3.12 to 1,106.78. *The New York* Stock Exchange trading volume amounted to 243m shares.

In early trading, the benchmark 30-year Treasury bond was modestly higher, sending the yield down and thereby taking some of the recent pressure *off shares.* Bonds have fallen sharply since Friday's release of jobs data showing stronger than expected employment growth in March.

Analysts said figures due out tomorrow and Friday on producer and consumer prices *would be important to both* markets in that they should show whether the economy's newfound strength would generate inflationary pressures.

Consumer goods companies, which fare worse than their cyclical counterparts when the *economy is growing, underper*formed other sectors. The Morgan Stanley index of consumer shares declined 0.3 per cent, while the counterpart index of cyclical shares added 0.7 per cent. On Monday the consumer index fell nearly 2 per cent.

Falling consumer shares included Philip Morris, which shed $1⅜ to $89¼, Procter & Gamble, $1⅞ weaker at $83¼, and Coca-Cola, which relinquished $1½ to stand at $67⅛.

Interest rate-sensitive financial companies also lost ground for a second day. NationsBank lost $1⅞ at $79½, J.P. Morgan dipped $¾ to $80⅞ and American Express weakened $1½ to $47⅞.

International Paper, which is a component of the Dow, added $1 at $39½, although the company reported first-quarter earnings below analysts' expectations. The company forecast that its performance for the rest of the year would be better than expected because the *competitive price environment* was easing.

Shares in Apple Computer rose $1⅛ or 5 per cent to $25⅛ after press reports that the company was close to reaching a deal to license its computer operating system to IBM. *Shares* in IBM fell $1 to $118⅞.

Canada

Toronto was flat in midsession trade as golds steadied after an early fall.

The TSE-300 composite index *was 1.10 higher by noon at* 5,005.20, supported by strong base metals and oils but with nine of the 14 sub-sectors showing falls.

Petro-Canada receipts were among the most active issues, rising C$⅛ to C$9⅞.

Other resource-based stocks were also heavily traded, including Abacan Resource which jumped C$½ to C$6¾ ahead of the stock's inclusion from today in the composite index.

Media issues were in demand, led by CanWest Global Communications which picked up C$2¼ to C$38¼.

Elsewhere, Northern Telecom slipped C$¾ to C$65.

Brazil little changed

SAO PAULO opened strongly as investors anticipated higher prices in New York, then dropped back to opening levels. By midday the Bovespa index was up just 9 points at 48,547.

MEXICO CITY also watched the US market and by midsession the IPC index was up 5.15 at 3,015.80.

SANTIAGO followed Wall Street higher in early trade, but brokers said the market was still soft and could retreat in the afternoon.

The blue-chip IPSA was up 0.3 per cent to 92.64 at midday, while the general IGPA inched up 0.2 per cent to 5,225.90 in thin volume. Brokers said that major institutional investors, including pension funds, were still on the sidelines waiting for the market to clarify after the central bank raised interest rates last week.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	+0.87	-0.20	+5.99	+8.81	+6.74	+5.71
Belgium	+2.88	-1.21	+21.84	+3.91	+1.94	+0.38
Denmark	+0.92	+0.72	+19.06	+6.63	+4.84	+3.24
Finland	-3.39	-2.49	+1.18	-0.30	-5.22	-6.67
France	+1.22	+4.52	+12.92	+13.03	+11.13	+9.43
Germany	+0.44	+1.12	+24.69	+9.53	+7.38	+5.74
Ireland	+0.74	+1.75	+25.88	+6.46	+6.34	+4.72
Italy	+0.95	-1.98	-1.66	-2.20	+0.65	-0.69
Netherlands	+1.28	+4.07	+31.53	+9.93	+8.07	+6.42
Norway	-1.09	+0.47	+15.72	+4.92	+4.95	+3.35
Spain	+1.02	+3.09	+28.17	+7.49	+6.80	+5.16
Sweden	-2.46	-0.81	+27.02	+8.31	+9.77	+8.10
Switzerland	-0.73	+1.56	+42.15	+8.90	+6.45	+4.82
UK	+1.56	+1.41	+17.88	-2.56	+2.58	+1.01
EUROPE	**+0.83**	**+1.73**	**+20.95**	**+6.34**	**+5.50**	**+3.89**
Australia	-0.27	-1.90	+10.87	-0.47	+6.44	+4.82
Hong Kong	+1.47	-0.05	+27.94	+13.12	+14.87	+13.11
Japan	+0.91	+7.16	+29.43	+4.26	+1.63	+0.08
Malaysia	-0.59	+2.13	+11.82	+14.25	+16.37	+14.59
New Zealand	-2.23	+0.49	-0.09	-1.68	+4.26	+2.66
Singapore	+0.39	+1.53	+21.69	+8.14	+10.57	+8.88
Canada	+1.13	+2.67	+15.56	+6.47	+8.69	+7.03
USA	+1.53	+3.34	+29.54	+6.50	+8.15	+6.50
Mexico	+1.09	+15.01	+53.47	+14.55	+19.11	+17.29
South Africa	-1.22	+0.16	+20.20	+8.12	-2.43	-3.92
WORLD INDEX	**+1.11**	**+3.59**	**+26.14**	**+8.10**	**+8.03**	**+4.40**

† Based on April 5 1996.

EUROPE

Speculation on bank merger dominates Zurich

Speculation about a possible merger between CS Holding and UBS dominated trade in *ZURICH. Analysts were unwilling* to dismiss the rumour, recalling that the market was taken by surprise by last month's announcement of the merger of Sandoz and Ciba.

Dealers said a fusion of the banks would be difficult, but not impossible, to carry out, and they noted the CS group had been under pressure to expand since SBC bought Warburg in the UK last year.

CS Holding advanced SFr6.25 to close at SFr115 before the bank said that it had no intention of taking over UBS. However, analysts said the statement left open the question of a possible "fusion" of the banks. UBS appreciated SFr4 to SFr1,317.

The broader market was weak in spite of a firmer dollar. The SMI index gave up 16.7 to 3,594.4.

Lehman Brothers noted that the Swiss equity market was the most expensive in Europe, adding that a yield of 1½ per cent and an historic price/earnings multiple of 20 times were not justified by low bond yields or a safe haven premium.

Lehman added that current valuations had no precedent *during previous periods of very* low interest rates or pronounced currency appreciation and it recommended an underweight position.

PARIS recovered early losses after Wall Street opened, and the CAC-40 index ended with a gain of 6.75 at 2,061.71.

There were hopes that the Bank of France might cut interest rates tomorrow owing to the strength of the local currency, analysts expecting 10 basis points to be trimmed from the intervention rate.

Suez added FFr2 at FFr217 ahead of today's results for 1995 which were expected to reveal a large loss. A consensus estimate was that the financial group would reveal a loss of up to FFr4bn, but there was a feeling that the dividend would be maintained, and the group was on the way to profit in 1996. The results are not due to be published until the close of today's business. Chargeurs strengthened FFr17 to FFr1,365 as it said it was no longer interested in acquiring the MGM studios in Hollywood.

FT-SE Actuaries Share Indices

Apr 9	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1624.86	1624.75	1625.87	1627.74	1628.69	1631.65	1633.17	1632.89
FT-SE Eurotrack 200	1687.58	1686.71	1688.48	1688.91	1689.88	1694.32	1695.59	1694.72

	Apr 4	Apr 3	Apr 2	Apr 1	Mar 29
FT-SE Eurotrack 100	1629.38	1625.49	1630.28	1625.48	1620.03
FT-SE Eurotrack 200	1693.77	1685.33	1689.91	1686.82	1679.78

Base value 1000 (26/10/90). High/day: 100 - 1633.85; 200 - 1696.06 Low/day: 100 - 1623.51 200 - 1685.40. † Partial.

MILAN put in a positive performance as some investors became cautiously optimistic that the outcome of this month's general election would prove more conclusive than many recent polls had indicated. The Comit index rose 2.19 to 593.89, while the real-time Mibtel index finished 116 higher at 9,508.

However, analysts' views on the outlook were divided. Mr Mark Howdle at UBS believed that equities and bonds, weak ahead of the April 21 election, were likely to rally after the poll and he forecast a rise in the Comit index to the 650-point level by mid-year.

J.P. Morgan increased its weighting in the market to overweight, noting that equities had not reflected the marked improvement in the economy in recent months. It thought speculation about re-entry of the lira into the ERM could provide the catalyst for outperformance.

However, James Capel's Italian specialists, Miss Marie-Christine Keith and Mr Michele Pacitti, continued to recommend an underweight position. They doubted that the election would prove a turning point for equities and remained concerned about the possibility of downgrades to industrial companies, given the stronger lira and slower than expected earnings growth in financials.

FRANKFURT was well supported by a stronger dollar and a modest recovery in German bonds. The Ibis index moved up 12.06 to 2,510.81 in response to the US markets, while the Dax ended earlier with a rise of 8.08 to 2,503.26.

SAP lost DM8.70 to DM187.80 in spite of company denials of newspaper reports that its R/3 software programme might need to be replaced.

STOCKHOLM was enlivened by a rebound in Ericsson and a strong showing in the forestry *sector which* helped the Affärsvärlden index to close 4.6 higher at 1,863.3.

Ericsson rebounded SKr4 to SKr132.5 after last week's sharp drop on an unconfirmed report that first-quarter earnings would be below market expectations. Scania, the newly listed truck maker, dropped below its introductory price of SKr180 to a low of SKr177 before picking up to finish SKr2.5 down at SKr179.

AMSTERDAM struggled to make a move and in the end the AEX index managed a gain of just 0.15 to 537.08, with turnover remaining below average following the Easter break.

Chartists said yesterday they remained confident the market would be able to break out of its current trading range, with forecasts that it could move into the 550 area soon.

VNU was one of the day's main stories, as the publisher said it expected its operating margin to rise significantly over the next five years. The stock made Fl 1.10 to Fl 28.70.

VIENNA continued to see selling in Wienerberger, the building materials group, whose stock slid Sch54 or 1.8 per cent to Sch2,041. The company's shares have lost Sch249 since March 21 as worries have emerged that profits may be affected by the severe winter delaying the start of new projects. The AEX index receded 6.37 to 1,061.34.

ATHENS remained depressed as inflation data showed a rise and in further reaction to the government's cancellation of a casino licence. The general index fell 14.60 or 1.5 per cent to 947.81.

ISTANBUL dropped sharply as investors decided to book profits following three consecutive record closes. The composite index retreated 1,670.13 or 2.3 per cent to 70,416.71, off a session's low of 70,112.

Written and edited by Michael Morgan and John Pitt

ASIA PACIFIC

Nikkei rebounds 1.5% as high-tech stocks find favour

Tokyo

The Nikkei average rebounded from Monday's 1.3 per cent fall as domestic investors hunted *for bargains among large-capital* blue chips and high-technology stocks, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index gained 319.93 or 1.5 per cent at 21,744.17 – its second largest rise for the year – after a day's low of 21,508.34 and high of 21,818.13. The overnight drop on Wall Street failed to affect confidence as traders said prices had already discounted the fall.

Volume jumped to 613m shares from 341.8m. Foreign investors were inactive, but domestic institutions bought blue chips. Individuals were buyers of speculative issues, while arbitrage buying also supported the rise in equities.

The Topix index of all first section stocks moved up 19.86 or 1.2 per cent to 1,664.98 and the Nikkei 300 put on 3.75 at 309.42. Rises overwhelmed falls by 924 to 200, with 109 issues unchanged.

In London the ISE/Nikkei 50 index firmed 1.14 to 1,448.06.

High-technology shares, which have been depressed by profit-taking over the past few sessions, were picked up by domestic institutions. Investors attributed the rise to the dollar's strength against the yen, while some traders noted expectations of an imminent release of strong US semiconductor demand data.

Semiconductor related stocks gained ground, with Advantest, a semiconductor manufacturing equipment maker, appreciating Y300 to Y5,200. Other high-tech stocks were firmer, with Toshiba up Y21 at Y832 and Sony adding Y60 at Y6,440.

Large-capital steels and shipbuilders were higher. Mitsui Engineering and Shipbuilding was the most active issue of the day and put on Y7 at Y335, and Mitsubishi Heavy Industries *rose Y8 to Y931. Nippon* Steel gained Y5 at Y371 and NKK Y11 at Y320.

Trading houses attracted buying due to higher grain prices: Mitsui climbed Y7 to Y987 and Marubeni closed Y21 ahead at Y619.

Companies which recently announced stock buybacks were in demand. Izumiya, a discount store operator, jumped Y130 to Y1,920 on its plan to buy back 7.3 per cent of its stock, while Komatsu, the machinery maker, rallied Y15 to Y995.

Speculative stocks were actively bought. Shinko Electric rose Y40 to Y1,090 and Gajo-en Kanko Y19 to Y251.

In Osaka, the OSE average gained 227.13 at 23,022.61 in volume of 81.5m shares.

Roundup

Regional markets made a muted response to Wall Street's overnight fall.

HONG KONG overcame the *worst of early sharp declines,* with some analysts detecting a fresh inflow of US funds into individual local stocks at the start of the new quarter.

The Hang Seng index finished 32.51 easier at 11,107.37, off a low of 10,912.32. Turnover dipped to HK$4.4bn.

Brokers said most of the buying went to selective property counters, which triggered futures short-covering that in turn helped the cash market.

Among major developers, Sun Hung Kai Properties jumped HK$1.35 to HK$75, Cheung Kong put on 25 cents at HK$57.25 and Henderson Land rose 75 cents to HK$56.

China Gas moved forward 5 cents to HK$15.50 on continued switching from other utilities on the view that its earnings outlook had brightened after it *won a joint bid for the prime* Central airport rail terminal development.

SEOUL was weak as institutions were inactive, reluctant to break their net buying stance ahead of the National Assembly elections tomorrow, and individual investors dumped shares.

The composite index fell 7.21 to 869.82 in volume of 24.1m shares as heightened tension on the North and South Korean border also proved a disincentive, particularly to overseas investors.

Blue chips and companies with large assets were targeted for selling. Yukong lost Won500 to Won26,000 and Sunchang Won800 to Won24,700.

Samsung Electronics, however, rose Won900 to Won87,000 on the recent strong performance of technology stocks on Wall Street and rumours that Nomura Securities was working on a report forecasting an *improved book-to-bill ratio for* semiconductors.

TAIPEI was in consolidation mode following sharp gains in recent days on news that Morgan Stanley might include Taiwan in its worldwide indices. The weighted index slipped 10.06 to 5,589.72. Turnover was T$72.5bn.

Textiles and foods fell 1.6 per cent and 1.5 per cent respectively, but electronics, backed by sound profits expectations, gained 1.2 per cent, with United Microelectronics rising T$3.50 or 5.2 per cent to T$71.

KARACHI fell on blue chip selling as the KSE-100 index lost 18.87 or 1.2 per cent at 1,544.41. Pakistan Telecom dropped Rs1 or 3 per cent to Rs31.80 as a local newspaper reported that there might be a delay in its privatisation.

BANGKOK ended marginally higher as bargain hunters shrugged off Monday's fall and picked up bank and finance *shares. The SET index made* 2.33 to 1,335.67 after falling more than 11 points in the first 20 minutes of trade.

Brokers said trading had been volatile, with blue chips falling sharply early in the morning, but with speculative activity later on. Volume was a moderate 59.3m shares.

Most buying was in bank and finance issues on speculation that they would see good first-quarter results: the bank and finance sectors gained 1 per cent and 0.5 per cent respectively. Bangkok Bank, the country's largest bank, put on Bt2 at Bt250 on the most active trade of Bt545m.

SINGAPORE was firmer in thin trade and the Straits Times Industrial index finished 16.96 higher at 2,382.12. Hotel Properties advanced 6 cents to S$2.57 as interest in the stock was kindled by the group's stake in a soon to be listed fast-food concern in the US.

KUALA LUMPUR drifted to a mixed close in quiet trading, after opening weaker on the Dow's overnight fall. The composite index ended down just 0.73 at 1,133.90 but the Second Board index rose 13.59 or 2.9 per cent to 482.24. Asas Dunia, *a current speculative favourite,* climbed 80 cents to a 12-month high of S$11.40.

SYDNEY saw some bargain hunting but the All Ordinaries index closed with just a modest gain of 1.5 at 2,221.0.

SHANGHAI's hard currency B index was weak, with a fall in some major stocks and heavy selling of shares in Huaxin Cement, which reported poor 1995 results. The index fell 0.293 to 49.573 as Huaxin shed $0.02 to $0.2.

S African golds strengthen

Gold shares moved higher but ended off best levels as bullion fell below the $397 mark in a subdued session. Industrial issues finished weak, dampened by Wall Street.

The overall index dipped 11.1 to 6,689.5, the industrials index lost 59 to 8,142.6 and the golds index rose 34 to 1,784.9.

De Beers added 50 cents at R126.25, while RMB Holdings fell R2 to R51.

Brokers said a major feature was the flow-through from Thursday of an order from Anglo American to buy 56m shares, around 7 per cent of the equity, of Lonrho, the UK diversified industrial conglomerate. Lonrho is listed in Johannesburg and the UK.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY APRIL 8 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY APRIL 5 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	198.95	-0.1	192.70	135.07	152.65	169.11	0.0	4.11	199.19	193.16	135.30	153.53	169.11	202.74	162.68	170.67
Austria (24)	184.05	0.3	178.27	124.96	141.40	141.22	0.0	1.54	183.45	177.90	124.61	141.40	141.22	199.28	168.11	187.68
Belgium (34)	210.72	0.4	204.10	143.06	161.89	157.73	0.0	4.13	209.93	203.59	142.60	161.81	157.73	215.81	184.81	187.75
Brazil (28)	150.19	-2.7	145.47	101.97	115.39	272.88	-2.7	1.61	154.32	149.66	104.83	118.95	280.37	170.25	109.87	116.87
Canada (100)	158.43	-0.3	153.45	107.56	121.72	155.77	-0.2	2.41	158.88	154.07	107.92	122.46	156.09	159.32	133.09	133.09
Denmark (30)	298.07	0.3	289.67	203.04	229.77	232.10	0.0	1.92	298.13	289.11	202.51	229.79	232.10	305.17	255.18	260.45
Finland (24)	175.22	0.4	169.72	118.96	134.62	169.97	0.0	2.90	174.60	169.32	118.60	134.58	169.97	276.11	171.73	188.18
France (98)	196.88	0.3	190.69	133.67	151.26	155.56	0.0	3.01	196.33	190.39	133.36	151.33	155.56	196.88	167.70	185.25
Germany (60)	173.69	0.3	168.19	117.90	133.42	133.42	0.0	1.96	173.09	167.86	117.57	133.42	133.42	174.38	148.95	150.24
Hong Kong (59)	437.68	-0.2	423.93	297.15	336.27	434.50	-0.2	3.25	438.54	425.27	297.88	338.02	435.37	451.19	323.87	339.99
Ireland (16)	267.91	0.1	259.49	181.89	205.83	239.14	0.0	3.40	267.57	259.48	181.75	206.24	239.14	267.91	215.62	218.24
Italy (59)	73.28	0.1	70.98	49.75	56.30	85.41	0.0	2.14	73.19	70.98	49.72	56.42	85.41	82.71	67.21	68.60
Japan (481)	154.70	-0.2	149.84	105.03	118.86	105.03	-0.3	0.72	155.05	150.36	105.32	119.51	105.32	164.82	137.75	151.63
Malaysia (107)	546.08	-1.8	528.92	370.74	419.55	532.39	-1.8	1.64	555.93	539.12	377.63	428.50	542.01	561.96	425.77	486.77
Mexico (18)	1181.93	-2.7	1144.78	802.43	908.06	8771.41	-2.2	1.42	1214.85	1178.11	825.21	936.39	8995.15	1237.14	791.99	949.68
Netherland (19)	291.22	0.3	282.07	197.72	223.74	219.36	0.0	3.19	290.22	281.44	197.14	223.70	219.36	291.22	235.13	238.63
New Zealand (15)	81.85	0.1	79.28	55.57	62.89	63.60	0.0	4.33	81.78	79.31	55.55	63.03	63.60	85.49	76.26	79.84
Norway (33)	239.43	0.2	231.90	162.55	183.95	208.10	0.0	2.51	239.02	231.73	162.36	184.23	208.10	243.79	213.52	218.23
Singapore (44)	433.60	-2.2	419.98	294.38	333.13	280.60	-2.2	1.35	443.39	429.98	301.18	341.76	287.04	465.21	355.61	360.17
South Africa (45)	371.12	0.2	359.45	251.96	285.13	331.96	0.0	2.54	370.21	359.02	251.47	285.35	331.98	437.76	338.91	352.62
Spain (37)	172.35	-0.8	166.94	117.02	132.42	161.51	-1.0	3.42	173.72	168.47	118.00	133.90	163.20	175.88	134.05	136.25
Sweden (46)	337.05	-0.1	326.46	228.83	258.95	331.84	0.0	2.50	337.36	327.16	229.16	260.03	331.64	352.28	241.23	243.05
Switzerland (38)	247.99	0.2	240.19	168.36	190.53	183.34	0.0	1.54	247.37	239.88	168.03	190.67	183.34	252.34	181.68	184.81
Thailand (46)	185.57	-1.1	179.74	125.99	142.57	182.00	0.0	1.79	185.72	180.10	126.15	143.15	182.00	193.95	134.53	138.38
United Kingdom (204)	233.15	0.1	225.82	158.29	179.13	225.82	0.0	4.05	232.87	225.82	158.18	179.49	225.82	235.50	206.28	208.93
USA (629)	262.68	-1.8	254.42	178.34	201.81	262.68	-1.8	2.20	267.57	259.48	181.75	206.24	267.57	268.11	208.41	208.89
Americas (775)	239.77	-1.8	232.23	162.78	184.21	201.50	-1.8	2.20	244.14	236.75	165.84	188.16	205.16	245.54	189.08	189.38
Europe (723)	209.03	0.2	202.46	141.92	160.60	180.60	0.0	3.05	208.68	202.37	141.75	160.84	180.67	209.03	179.19	180.90
Nordic (132)	288.94	0.1	279.86	196.17	221.99	248.73	0.0	2.45	288.77	280.04	196.15	222.58	248.73	297.48	231.64	233.46
Pacific Basin (833)	167.82	-0.3	162.55	113.94	128.93	116.52	-0.3	1.15	168.35	163.25	114.35	129.76	116.93	171.87	148.86	159.86
Euro-Pacific (1556)	184.89	-0.1	179.07	125.52	142.05	140.85	-0.2	2.04	185.04	179.45	125.69	142.63	141.13	185.04	166.51	168.57
North America (729)	256.16	-1.8	248.11	173.92	196.81	255.44	-1.8	2.21	260.80	252.91	177.15	201.02	260.08	262.26	202.05	202.32
Europe Ex. UK (510)	190.78	0.2	184.78	129.52	146.57	154.54	-0.1	2.50	190.40	184.64	129.33	146.76	154.83	190.78	159.17	162.04
Pacific Ex. Japan (352)	289.59	-0.7	280.49	196.61	222.49	251.15	-0.6	2.95	291.56	282.74	198.04	224.73	252.78	293.58	237.71	241.00
World Ex. US (1747)	185.95	-0.1	180.10	126.24	142.86	144.96	-0.2	2.06	186.17	180.54	126.48	143.50	145.32	186.17	167.38	169.05
World Ex. UK (2172)	207.08	-0.9	200.57	140.59	159.09	174.15	-1.0	1.92	209.04	202.72	142.00	161.13	175.91	209.04	177.60	177.60
World Ex. Japan (1895)	239.83	-1.0	232.29	162.82	184.25	225.93	-1.1	2.54	242.33	235.00	164.61	186.78	228.44	242.38	198.03	197.35
The World Index (2376)	209.41	-0.8	202.83	142.17	160.89	178.86	-0.9	2.12	211.20	204.81	143.46	162.79	180.50	211.20	180.34	180.34

Markets open 8/4/96: Brazil, Canada, Japan, Malaysia, Singapore, Spain and USA. Latest prices were unavailable for this edition.

صكنا من الاصل